

HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING  
MAY 22, 2013  
APPLICATION SUMMARY

NAME OF PROJECT: Tennessee Orthopedic Alliance, P.A.

PROJECT NUMBER: CN1302-004

ADDRESS: 3000 Charlotte Pike  
Nashville (Davidson County), TN 37210

LEGAL OWNER: Tennessee Orthopedic Alliance, P.A.  
301 21st Avenue, North  
Nashville (Davidson County), TN 37210

OPERATING ENTITY: N/A

CONTACT PERSON: Jerry Taylor, Attorney  
(615) 782-2228

DATE FILED: February 15, 2013

PROJECT COST: \$2,418,132.00

FINANCING: Combination of Cash Reserves and Operating Revenue

REASON FOR FILING: The relocation of two (2) existing MRI units

DESCRIPTION:

The applicant, Tennessee Orthopedic Alliance, P.A. (TOA), a physician medical group organized as a Tennessee Corporation in February 1972, is requesting approval, on **CONSENT CALENDAR**, for the relocation of two (2) 1.0 Tesla full body MRI units from the current location of 301 21<sup>st</sup> Avenue North, Nashville (Davidson County) to 3000 Charlotte Avenue, Nashville (Davidson County), a distance of approximately one (1) mile. The two MRIs being relocated will be housed in approximately 4,565 useable square feet (SF). If approved, the MRI service will continue to be limited to the patients of TOA and will not operate as

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an outpatient diagnostic center. The project does not involve the initiation of any service and does not increase the number of MRI units in the service area.

### SUMMARY:

The proposed MRI relocation will be located within a new four story structure in the new "One City" development at the crossroads of the new healthcare corridor created by the completion of the 28<sup>th</sup>-31<sup>st</sup> Avenue Connector. *Note to Agency Members: The proposed Development called, One City, is an 18.7 acre campus located near Charlotte Avenue in West Nashville. The goal of the development is to attract companies working in health-care technology. The ONE City development is expected to total more than 1 million square feet of research and office space when complete. Source: <http://www.onecitynashville.com/>.* The new facility will house a clinic, physical therapy, occupational therapy and MRI services. The applicant plans to locate MRI services on the ground floor near the entrance for convenience and easy access of patients. Physician office and clinic space will occupy floors 2-4. The applicant states the new location has one of the highest traffic volumes in Nashville and will facilitate easier patient access to the building from the West End and North Nashville areas.

The applicant states the primary reason TOA is proposing to move to a new location is the need for more room, and the desire for a more up to date building with a more efficient lay-out design. The applicant noted the following areas will be improved with a new building and increased square footage:

- The new layout will improve HIPPA compliance by separating MRI services from other departments such as hand therapy, allowing patients to be interviewed and counseled privately
- A restroom in each of the dressing rooms will enhance patient flow to and from the magnet room and on-deck room
- Safety and security will be improved since the new layout will allow any technologist in the control room to monitor patients in both magnet rooms
- Magnet room doors will open outward to relieve the room pressure in the event of a magnet quench (previously windows had to be broken)
- The new layout will allow patients to be seen outside normal clinic hours
- The new building design will allow for the magnet systems to be accessed more easily and more cost effectively if/when systems are replaced

As mentioned earlier, TOA proposes to move its two 1.0 Tesla, full body MRIs to the new proposed location. TOA also has a third, extremity only MRI at its current location that will be relocated to its Murfreesboro, Tennessee office. Since

**Tennessee Orthopedic Alliance, P.A.**

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the Murfreesboro office currently provides MRI services, the relocation of the extremity MRI does not require a CON because this MRI is below the \$2 million threshold requirement for major medical equipment.

According to HSDA's medical equipment registry, TOA's Murfreesboro location currently has one 1.0 Tesla fixed MRI that provided 4,270 procedures in 2009, 4,256 in 2010 and 3,901 in 2011.

TOA is owned by Tennessee Orthopedic Alliance, P.A. There are forty-four (44) physician shareholders and an additional five (5) non-shareholder physicians employed by the professional corporation. The MRI service in Davidson County utilizes five (5) MRI technologists. The staffing is not expected to change as a result of the relocation.

The applicant's primary service area will remain unchanged as Davidson County. Per the Department of Health, Division of Health Statistics project summary, the population of Davidson County is expected to increase by approximately 2.8% from 605,293 residents in 2013, including 119,645 TennCare recipients, to 622,476 residents in 2017. Review of state-wide population data maintained by the Division of Health Statistics, TDOH revealed that Tennessee's population is expected to increase by approximately 3.3% over the same time period. Individuals enrolled in TennCare presently account for approximately 19.8% of the Davidson county population as compared to the statewide enrollment of 18.8%. The population of persons age 65 and older is expected to reach approximately 13.1% of the total Davidson county population in CY 2017 compared to a state-wide average of 15.3% of the total population.

Including the applicant, there are presently thirty (30) providers that offer MRI services in Davidson County. Of the thirty (30) MRI providers, there are eight (8) hospitals, thirteen (13) Outpatient Diagnostic Centers, seven (7) physician offices, one (1) hospital-based imaging provider and one (1) hospital based outpatient diagnostic center. The table on the following page reflects the Davidson County MRI utilization by provider type. There are a total of fifty (50) MRI units currently operating in Davidson County. In 2009 there were a total of 118,807 procedures (2,424/unit increasing 6.4% to 126,379 procedures (2,528/unit) in 2011. The 2011 utilization of all Davidson County MRI providers (2,528 procedures) equates to approximately 88% of the 2,880 procedure standard for MRI in Tennessee's State Health Plan, effective December 21, 2011.

### Davidson County MRI Providers & Their Utilization, 2009-2011

County	Provider Type	Provider	#	2009	2010	2011
Davidson	HOSP	Baptist Hospital	3	7,100	6,619	5,920
Davidson	ODC	Belle Meade Imaging	1	2,352	2,361	2,511
Davidson	PO	Center for Inflammatory Disease	1	200	154	130
Davidson	PO	Elite Sports Medicine & Orthopedic Center	2	4,447	4,470	4,793
Davidson	PO	*Heritage Medical Associates-Murphy Ave.	1	-----	-----	639
Davidson	ODC	Hillsboro Imaging	1	4,156	3,738	2,869
Davidson	ODC	Millennium MRI, LLC	1	404	491	371
Davidson	PO	Nashville Bone and Joint	1	979	1,053	947
Davidson	HOSP	Nashville General Hospital	1	1,393	1,605	1,842
Davidson	PO	Neurological Surgeons, PC Imaging Office	1	3,917	6,438	6,052
Davidson	ODC	Next Generation Imaging, LLC	1	630	603	740
Davidson	H-Imaging	One Hundred Oaks Breast Center	1	436	508	586
Davidson	ODC	One Hundred Oaks Imaging	1	1,992	3,351	4,433
Davidson	ODC	Outpatient Diagnostic Center of Nashville	2	2,860	2,560	3,865
Davidson	PO	Pain Management Group, PC	1	1,152	1,891	1,715
Davidson	ODC	Premier Orthopedics and Sports Medicine	2	5,654	6,200	6,229
Davidson	ODC	Premier Radiology Belle Meade	3	9,373	7,222	7,872
Davidson	ODC	Premier Radiology Edmondson Pike	1	1,297	1,328	931
Davidson	ODC	Premier Radiology Hermitage	2	4,433	4,779	4,931
Davidson	ODC	Premier Radiology Nashville	1	2,501	3,012	2,492
Davidson	ODC	Specialty MRI	1	2,062	1,762	1,562
Davidson	ODC	St. Thomas Heart	1	1,851	3,454	2,076
Davidson	HOSP	St. Thomas Hospital	3	6,457	6,049	5,643
<b>Davidson</b>	<b>PO</b>	<b>Tennessee Orthopedic Alliance Imaging</b>	<b>3</b>	<b>8,719</b>	<b>7,892</b>	<b>7,181</b>
Davidson	HOSP	TriStar Centennial Medical Center	3	6,736	7,326	7,561
Davidson	HOSP	TriStar Skyline Medical Center	2	7,398	7,481	7,339
Davidson	HOSP	TriStar Southern Hills Medical Center	1	3,328	2,586	2,528
Davidson	HOSP	TriStar Summit Medical Center	1	3,762	3,718	3,723
Davidson	HODC	TriStar Summit Medical Center - ODC	1	2,539	2,072	1,858
Davidson	HOSP	Vanderbilt University Hospital	6	20,679	25,471	27,040
Totals			50	118,807 (2,425/unit)	126,194 (2,576/unit)	126,379 (2,528/unit)

Source: Medical Equipment Registry - 4/3/2013,

\*Heritage Medical Associates approved February 23, 2011

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TOA's current three MRI units in Davidson County meet HSDA medical equipment registration and reporting requirements. The MRI utilization reported to HSDA is current to the year 2012. As reflected in the following table, TOA-Nashville (Davidson County) performed 8,719 MRI procedures in 2009, 7,892 MRI procedures in 2010, 7,181 MRI procedures in 2011 and 7,163 MRI procedures in 2012. The 2012 MRI utilization averaged approximately 2,387 MRI procedures or 83% of the MRI standard of 2,880 procedures during the most recent twelve-month period as listed in Tennessee's State Health Plan, effective December 21, 2011. As compared to TOA locations in Montgomery and Rutherford Counties, Rutherford County experienced the highest MRI utilization with 4,120 procedures (143% of MRI standard) and Montgomery County the lowest with 1,915 procedures (66% of MRI standard).

**TOA MRI Locations and Utilization 2009-2012**

County	Provider	Number	2009	2010	2011	2012	Standard Met	% Change
Davidson	Tennessee Orthopedic Alliance Imaging	3	8,719	7,892	7,181	7,163	No	-17.8%
Montgomery	Tennessee Orthopedic Alliance	1	-----	982	2,007	1,915	No	+49%
Rutherford	Tennessee Orthopedic Alliance Imaging	1	4,270	4,256	3,901	4,120	Yes	-3.5%
<b>Total</b>		<b>5</b>	<b>12,989</b>	<b>13,130</b>	<b>13,089</b>	<b>13,198</b>	<b>No</b>	<b>+1.6%</b>

*Source: Medical Equipment Registry - 4/3/2013*

The applicant indicates the decrease in MRI volume in Davidson County from 7,892 procedures in 2010 to 7,181 procedures in 2011 is attributable to the followings factors:

- There was a shift of MRI cases from 2010 to 2011 from the Nashville office to the Clarksville office when the Clarksville office opened
- Two senior physicians retired from the practice in 2012 and that volume was lost, and
- The general economic turndown experienced between 2010 and continuing through 2011

The applicant believes MRI volumes will be maintained if not increased at the new proposed location due to the following factors:

- Physician growth
- Increased MRI efficiency related to new space
- Intensified spine marketing in Davidson County, and
- Introduction of athrogram MRI services

**Tennessee Orthopedic Alliance, P.A.**

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The applicant expects \$11,557,985.00 in total gross revenue on 7,230 MRI procedures in Year 1 increasing by 1% to \$11,673,085.00 on 7,302 procedures in Year 2 (\$1,598/procedure). Projected net operating income (NOI) in the first year of the project is \$1,751,384 or approximately 15.2% of total gross revenue.

According to the Historical Data Chart TOA experienced profitable net operating results for the three most recent years reported: \$2,672,967 for 2010; \$2,423,106 for 2011; and \$1,786,092 for 2012. Average annual NOI was favorable at approximately 15.6% of annual net operating revenue for the year 2012.

The applicant anticipates during the first operational year following completion of the project, gross TennCare revenues are anticipated to be \$520,109 (4.5% of total gross revenues), while Medicare revenues are anticipated to be \$2,427,177 (21% of total gross revenues). Tennessee Orthopedic Alliance, P.A. is contracted with UnitedHealthcare Community Plan (AmeriChoice). The applicant stated TOA's contract with AmeriGroup expired February 12, 2013 after the parties were unable to reach mutually agreeable terms on a renewal. The applicant estimates approximately 2.5% of TOA's MRI examinations (254 exams) at the Nashville location in 2012 were AmeriGroup patients. In the supplemental response, the applicant also states TOA is not in network with TennCare Select but can and does accept BCBS TennCare Select patients on an out-of-network basis. In the supplemental response the applicant anticipates growth of TOA's United Healthcare TennCare patient population.

The total estimated project cost is \$2,418,132, including \$286,315.00 for construction costs (\$110.00/square foot), \$1,802,757 for Facility Lease, \$28,632 for Contingency, \$275,000 for MRI Relocation Expense, \$20,000 for Legal, Administrative and Consulting Fees, and \$5,429.00 for the CON filing fee.

Review of the balance sheet of TOA (all locations) for the 12-month period ending December 31, 2012 revealed current assets of \$7,603,581.00, Current liabilities, \$15,025,462, and a current asset to liabilities ratio of .50:1. In the supplemental response, TOAs Certified Public Accounting Firm Carter, Lankford CPAs P.C. noted TOA reports on the cash basis accounting method which impacted the current ratio at December 31, 2012. The firm stated the current ratio was unfavorably impacted at year end by cash being reduced for bonuses and capital asset additions and accruing a current liability for retirement plan contributions to be funded in the next fiscal year. The firm also stated two long term liabilities (Deferred Rent-\$1,384,658 and Unfunded Pension Liability-

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\$2,785,457) were erroneously classified as current liabilities on the December 31, 2012 balance sheet. The firm concluded the current ratio would exceed 1:1 if the bonuses paid, asset purchases and adjusting for the two misclassifications on the balance sheet were adjusted. Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

A letter dated February 11, 2013 from TOA's Chief Financial Officer attests to the availability of funds to finance the proposed project. In addition the letter states TOA also maintains a \$2,000,000 revolving line of credit at US Bank as back-up in the event of any short term cash deficiencies. A copy of the executed revolving credit note dated October 26, 2012 from U.S. Bank National Association is provided in the supplemental response.

Should the Agency vote to approve this project, the CON would expire in two years.

**CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:**

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant.

**CERTIFICATE OF NEED INFORMATION FOR OTHER DAVIDSON COUNTY PROVIDERS:**

There are no Letters of Intent, denied or pending applications for other Davidson County providers proposing this type of service.

**Middle Tennessee Imaging, LLC, d/b/a St. Thomas Outpatient Imaging - Baptist, CN1108-031A**, has an outstanding Certificate of Need which will expire on January 1, 2014. It was approved at the November 16, 2011 Agency meeting for establishment of an Outpatient Diagnostic Center (ODC), initiation of magnetic resonance imaging (MRI) services and acquisition of an MRI scanner in leased space within an office building located on the campus of Baptist Hospital at 300 20th Avenue North, Suite 202, Nashville, TN 37205. The estimated project cost is \$3,608,100.00. *Project Status: The project is on schedule for the May 2013 substantial completion date and turnover of the space. Construction is currently focused on the interior completion of space where medical equipment will be installed. All*

**Tennessee Orthopedic Alliance, P.A.**

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*equipment deliveries have been scheduled and construction is proceeding to meet the required dates.*

**Middle Tennessee Imaging, LLC, CN1203-014A**, has an outstanding Certificate of Need which will expire on August 1, 2014. The Certificate of Need was approved at the June 27, 2012 Agency meeting for the relocation of the ODC from 4928 Edmondson Pike, Nashville (Davidson County) to a new 5,320 square foot building to be located at 789 Old Hickory Boulevard, Brentwood (Davidson County), TN. As a part of the relocation, one existing MRI scanner and one existing CT scanner will be replaced. In addition to the MRI and CT scanning services currently offered, the facility will add equipment to provide radiographic/fluoroscopic imaging, ultrasound imaging, digital mammography and bone densitometry. The estimated project cost is **\$4,005,878**. *Project Status.:* *The construction of the ODC began in March 2013 with an anticipated date of project completion of September 2, 2013.*

**PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.**

PME 05/06/2013



**State of Tennessee****Health Services and Development Agency**

Frost Building, 3<sup>rd</sup> Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364/Fax: 615-741-9884

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**Date:** May 3, 2013

**To:** HSDA Members

**From:** Melanie M. Hill, Executive Director

**Re:** CONSENT CALENDAR JUSTIFICATION  
CN1302-004 – Tennessee Orthopedic Alliance

As permitted by Statute and further explained by Agency Rule on the last page of this memo, I have placed this application on the consent calendar based upon my determination that the application appears to meet the established criteria for granting a certificate of need. Need, economic feasibility and contribution to the orderly development of health care are detailed below. If Agency Members determine that the criteria have been met, a member may move to approve the application by adopting the criteria set forth in this justification or develop another motion for approval that addresses each of the three criteria required for approval of a certificate of need.

At the time the application entered the review cycle on March 1, 2013, it was not opposed. If the application is opposed prior to it being heard, it will move to the bottom of the regular May agenda and the applicant will make a full presentation.

**Summary —**

Tennessee Orthopedic Alliance (TOA) is a physician practice that has applied for a certificate of need to relocate two (2) of its three (3) MRI units from its present location in leased space on 21<sup>st</sup> Avenue in Nashville to Charlotte Avenue where the physician practice will relocate, a distance of about one mile. The third MRI will be relocated to their Murfreesboro office but since that site has already been approved for MRI services and the cost of the extremity MRI equipment is below the 2 million dollar major medical equipment threshold, a CON is not required.

**Executive Director Justification —**

**Need-** The need to relocate the MRI service and equipment is justified because the orthopedic physician practice is relocating to a larger, more efficient space that will better accommodate the practice.

Economic Feasibility-The project will be funded through cash reserves and operating revenues. TOA also has access to a 2 million dollar commercial line of credit from U S Bank if needed. The MRI service has historically provided a positive cash flow and net operating income and is projected to continue to do so at the new location.

Contribution to the Orderly Development of Health Care- The project does contribute to the orderly development of health care since the MRI service will continue to be utilized as part of a busy orthopedic practice.

**Based on these reasons, I recommend that the Agency approve certificate of need application CN1302-004.**

**Statutory Citation -TCA 68-11-1608. Review of applications — Report**

(d) The executive director may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

**Rules of the Health Services and Development Agency - 0720-10-.05 — CONSENT CALENDAR**

(1) Each monthly meeting's agenda will be available for both a consent calendar and a regular calendar.

(2) In order to be placed on the consent calendar, the application must not be opposed by anyone having legal standing to oppose the application, and the executive director must determine that the application appears to meet the established criteria for granting a certificate of need. Public notice of all applications intended to be placed on the consent calendar will be given.

(3) As to all applications which are placed on the consent calendar, the reviewing agency shall file its official report with The Agency within thirty (30) days of the beginning of the applicable review cycle.

(4) If opposition by anyone having legal standing to oppose the application is stated in writing prior to the application being formally considered by The Agency, it will be taken off the consent calendar and placed on the next regular agenda. Any member of The Agency may state opposition to the application being heard on the consent calendar, and if reasonable grounds for such opposition are given, the application will be removed from the consent calendar and placed on the next regular agenda.

(a) For purposes of this rule, the "next regular agenda" means the next regular calendar to be considered at the same monthly meeting.

(5) Any application which remains on the consent calendar will be individually considered and voted upon by The Agency.

## LETTER OF INTENT



LETTER OF INTENT  
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in The Tennessean, which is a newspaper of general circulation in Davidson County, Tennessee, on or before February 10, 2013 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Tennessee Orthopedic Alliance owned and operated by Tennessee Orthopedic Alliance, P.C., located at 301 21<sup>st</sup> Avenue, No., Nashville, Tennessee intends to file an application for a Certificate of Need for the relocation of two MRI units from the current location to TOA's proposed future office space to be located at 3000 Charlotte Avenue, Nashville Tennessee. There are no inpatient beds, new services or new major medical equipment involved in this project. The estimated project cost is not to exceed \$3,200,000.00.

The anticipated date of filing the application is February 15, 2013.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Stites & Harbison, PLLC, 401 Commerce Street, Suite 800, Nashville, Tennessee, 37219, 615-782-2228, e-mail: [jerry.taylor@stites.com](mailto:jerry.taylor@stites.com).

Signature

Date

2-8-13

=====

The published Letter of Intent contains the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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# **Copy Application**

**Tennessee Orthopedic  
Alliance**

**CN1302-004**

2013 FEB 15 PM 12 51

**CERTIFICATE OF NEED APPLICATION**

**FOR**

**TENNESSEE ORTHOPEDIC ALLIANCE**

**Relocation of Two MRI Units**

**Davidson County, Tennessee**

**February 15, 2013**

**Contact Person:**

**Jerry W. Taylor, Esq.  
Stites & Harbison, PLLC  
401 Commerce Street, Suite 800  
Nashville, Tennessee 37219  
615-782-2228**

**SECTION A:****APPLICANT PROFILE****1. Name of Facility, Agency, or Institution**

Tennessee Orthopedic Alliance, P.A.

**Name**

3000 Charlotte Avenue (Proposed new location.)

**Street or Route**

Nashville

**City**

TN

**State**

Davidson

**County**

37210

**Zip Code****2. Contact Person Available for Responses to Questions**

Jerry W. Taylor

**Name**

Attorney

**Title**

Stites &amp; Harbison, PLLC

**Company Name**

jerry.taylor@stites.com

**Email address**

401 Commerce Street, Suite 800

**Street or Route**

Nashville

**City**

TN

**State**

37219

**Zip Code**

Attorney

**Association with Owner**

615-782-2228

**Phone Number**

615-742-0302

**Fax Number****3. Owner of the Facility, Agency or Institution**

Tennessee Orthopedic Alliance, P.A.

**Name**

615-329-6600

**Phone Number**301 21<sup>st</sup> Avenue, South (Current location)**Street or Route**

Davidson

**County**

Nashville

**City**

TN

**State**

37210

**Zip Code****4. Type of Ownership of Control (Check One)**

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

X

E. Corporation (Not-for-Profit)

F. Government (State of TN or

G. Political Subdivision)

H. Joint Venture

I. Limited Liability Company

Other (Specify) \_\_\_\_\_

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

Organizational documentation is attached as Attachment A, 4.



5. Name of Management/Operating Entity (If Applicable)

N/A

Name

Street or Route

County

City

State

Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. Legal Interest in the Site of the Institution (Check One)

A. Ownership

D. Option to Lease X

B. Option to Purchase

E. Other (Specify) \_\_\_\_\_

C. Lease of \_\_\_\_\_ Years

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

A copy of an Option to Lease is attached as Attachment A, 6.

7. Type of Institution (Check as appropriate--more than one response may apply)

A. Hospital (Specify) \_\_\_\_\_

I. Nursing Home

B. Ambulatory Surgical  
Treatment Center (ASTC),  
Multi-Specialty

J. Outpatient Diagnostic Center

C. ASTC, Single Specialty

K. Recuperation Center

D. Home Health Agency

L. Rehabilitation Facility

E. Hospice

M. Residential Hospice

F. Mental Health Hospital

N. Non-Residential Methadone  
FacilityG. Mental Health Residential  
Treatment Facility

O. Birthing Center

H. Mental Retardation  
Institutional Habilitation  
Facility (ICF/MR)P. Other Outpatient Facility  
(Specify) \_\_\_\_\_Q. Other (Specify) Physician  
Practice (Orthopedics) X

8. Purpose of Review (*Check as appropriate--more than one response may apply*)

- |                                   |       |                                      |   |
|-----------------------------------|-------|--------------------------------------|---|
| A. New Institution                | _____ | G. Change in Bed Complement          |   |
| B. Replacement/Existing Facility  | _____ | [Please note the type of change by   |   |
| C. Modification/Existing Facility | _____ | <i>underlining the appropriate</i>   |   |
| D. Initiation of Health Care      |       | <i>response: Increase, Decrease,</i> |   |
| Service as defined in TCA §       |       | <i>Designation, Distribution,</i>    |   |
| 68-11-1607(4)                     |       | <i>Conversion, Relocation]</i>       |   |
| (Specify) _____                   |       | H. Change of Location (of MRI)       | X |
| E. Discontinuance of OB Services  | _____ | I. Other (Specify) _____             |   |
| F. Acquisition of Equipment       | _____ | _____                                |   |

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

9. **Bed Complement Data** N/A*Please indicate current and proposed distribution and certification of facility beds.*

	<u>Current Beds Licensed</u>	<u>*CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical					
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
<b>TOTAL</b>					

10. **Medicare Provider Number:** 3372041  
**Certification Type:** Physician Group
11. **Medicaid Provider Number:** 3372041  
**Certification Type:** Physician Group
12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**
13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.**

N/A. TOA participates in both Medicare and TennCare.

UnitedHealthcare Community Plan

AmeriGroup

TennCare Select

**Will this project involve the treatment of TennCare participants?**

Yes

**If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.**

TOA is contracted and in network with UnitedHealthcare Community Plan.

TOA's contract with AmeriGroup expired on February 12, 2013 after the parties were unable to reach mutually agreeable terms on a renewal.

**Discuss any out-of-network relationships in place with MCOs/BHOs in the area.**

N/A.

Following the expiration of the contract with AmeriGroup, the parties agreed that TOA will continue to treat current patients who are enrollees of that plan for 90 days, during which time TOA will be paid on an out-of-network basis.

**NOTE:** *Section B* is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. *Section C* addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

## **SECTION B: PROJECT DESCRIPTION**

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

### Project Description

TOA will be relocating its main Nashville office at 301 21<sup>st</sup> Avenue North to leased space in a building to be constructed by an unrelated third party on Charlotte Pike. The distance between the two sites is approximately one mile, and both are within Metropolitan Nashville and Davidson County. As part of the relocation, TOA proposes to move its two 1.0 Tesla, full body MRIs. TOA also has a third, extremity-only MRI at its current location. This unit will be relocated to TOA's Murfreesboro office. TOA already provides MRI services at its Murfreesboro location, and could add an additional unit at that location so long as the equipment cost is below \$2 million. Since the value of the extremity-only MRI is far below the \$2 million threshold, the relocation of this unit is not a CON-covered activity. For that reason, the relocation of that extremity-only unit is not further discussed in this application. This proposal does not involve the initiation of any new service, the acquisition of major medical equipment, or any inpatient beds.

### Services & Equipment

No new services or equipment are involved in this proposal. TOA provides MRI imaging services at its Nashville and Clarksville offices. The MRI service is limited to the patients of TOA, and is not an outpatient diagnostic clinic. TOA has two full body 1.0 Tesla MRI units and one 1.0 Tesla extremities-only MRI unit. TOA proposes to move its two 1.0 Tesla, full body MRIs to the new office location. The extremities-only MRI will be relocated to TOA's Murfreesboro office. TOA already provides MRI services at its Murfreesboro location, and could add an additional unit at that location so long as the equipment cost is below \$2 million. Since the value of the extremity-only MRI is far below the \$2 million threshold, the relocation of this unit is not a CON-covered activity. For that reason, the relocation of that extremity-only unit is not further discussed in this application.

### Ownership Structure

TOA is owned by Tennessee Orthopedic Alliance, P.A. There are 44 physician shareholders and an additional 5 non-shareholder physicians employed by the professional corporation.

### Service Area

For purposes of this application, the proper service area is Davidson County, where the two subject MRIs are now located, and where they will continue to be located.

### Need

This project does not involve the initiation of any new service and does not increase the number or capacity of MRI units in the service area. The primary reasons TOA is moving to the new space are the need for more room, and the desire for a more up to date building with a more efficient lay-out and design. The MRI units are well utilized and the MRI service is an important patient care service provided by TOA physicians for its patients.

### Existing Resources

This project does not involve the initiation of any new service and does not increase the number or capacity of MRI units in the service area.

For informational purposes it should be noted the MRI units operational in Davidson County are well utilized. According to HSDA data, the average utilization per MRI unit (all reporting providers) in Davidson County for the past three reporting years has exceeded the utilization threshold in the Guidelines of 2,200 scans per unit.

### Project Cost & Funding

The total estimated project cost is \$2,412,704.00, exclusive of the filing fee. Most of this is the deemed cost of the lease for the MRI space which is \$1,802,757.00.

The cost of the build out not including shielding for the MRI space is \$110.00 per square foot. TOA expects a Tenant Improvement allowance from the landlord of \$65.00 per square foot, so the net out of pocket capital cost to TOA for the build out is \$45 per square foot, or \$205,425. In addition, the cost of installation for the radio-frequency shielding is \$80,890. This results in a total estimated build out cost of \$286,315 for the MRI space. This amount is entered on Line A, 5 of the Project Cost Chart.

The costs of the project will be funding through a combination of cash reserves, operating revenues and, if necessary, an existing commercial line of credit.

### Financial Feasibility

The MRI service at TOA is well established and produces a positive cash flow and net operating income as reflected in the Historical Data Chart. It will continue to be financially feasible following the relocation as reflected in the Projected Data Chart.

### Staffing

The MRI service at TOA utilizes 5 FTE MRI technologists. This is not expected to change as result of the relocation.

## **II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.**

### **A. Describe the construction, modification and/or renovation of the facility (exclusive of**

major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

**If the project involves none of the above, describe the development of the proposal.**

N/A. TOA will be relocating its main Nashville office at 301 21<sup>st</sup> Avenue North to leased space in a building to be constructed by an unrelated third party on Charlotte Pike. The distance between the two sites is approximately one mile, and both are within Metropolitan Nashville and Davidson County. As part of the relocation, TOA proposes to move its two 1.0 Tesla, full body MRIs. TOA also has a third, extremity-only MRI at its current location. This unit will be relocated to TOA's Murfreesboro office. TOA already provides MRI services at its Murfreesboro location, and could add an additional unit at that location so long as the equipment cost is below \$2 million. Since the value of the extremity-only MRI is far below the \$2 million threshold, the relocation of this unit is not a CON-covered activity. For that reason, the relocation of that extremity-only unit is not further discussed in this application.

The two MRIs being relocated will occupy approximately 4,565 useable square feet of space. As reflected in Attachment B, II, A the total amount of the lease payments over the initial term of the lease for the MRI space is \$1,802,757.00. The cost of the build out including shielding for the MRI space is \$110.00 per square foot. TOA expects a Tenant Improvement allowance of 65.00 per square foot, so the net out of pocket capital cost to TOA for the build out is \$45 per square foot, or \$205,425. In addition, the cost of installation for the radio-frequency shielding is \$80,890. This results in a total estimated build out cost of \$286,315 for the MRI space. This amount is entered on Line A,5 of the Project Cost Chart.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

N/A.





**C. As the applicant, describe your need to provide the following health care services (if applicable to this application):**

N/A. No new services are being initiated.

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

**D. Describe the need to change location or replace an existing facility.**

N/A. TOA is a private physician practice and is not a health care facility. The primary reasons TOA is moving to the new space are the need for more room, and the desire for a more up to date building with a more efficient lay-out and design.

**E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:**

N/A.

**1. For fixed-site major medical equipment (not replacing existing equipment):**

**a. Describe the new equipment, including:**

1. Total cost ;(As defined by Agency Rule).
2. Expected useful life;
3. List of clinical applications to be provided; and
4. Documentation of FDA approval.

- b. Provide current and proposed schedules of operations.
- 2. For mobile major medical equipment:
  - a. List all sites that will be served;
  - b. Provide current and/or proposed schedule of operations;
  - c. Provide the lease or contract cost.
  - d. Provide the fair market value of the equipment; and
  - e. List the owner for the equipment.
- 3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

- 1. Size of site (*in acres*);
- 2. Location of structure on the site; and
- 3. Location of the proposed construction.
- 4. Names of streets, roads or highway that cross or border the site.

*Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.*

A plot plan is attached as Attachment B, III, (A).

- (B) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

The new location is just off Charlotte Pike, a major thoroughfare in West Nashville which is on the Metropolitan Transit Authority bus route.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

**NOTE: DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

A floor plan is attached as Attachment B, IV.

V. For a Home Health Agency or Hospice, identify:

N/A.

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

## **SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

### **QUESTIONS**

#### **I. NEED**

##### **1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee’s Health: Guidelines for Growth.**

- a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

There are no Guidelines applicable to the relocation of major medical equipment.

#### **Five Principles for Achieving Better Health from the Tennessee State Health Plan:**

##### **1. Healthy Lives**

*The purpose of the State Health Plan is to improve the health of Tennesseans.*

TOA will continue to provide the highest quality of medical care to its patients following the relocation. The new location will provide for a more efficient and patient friendly environment.

##### **2. Access to Care**

*Every citizen should have reasonable access to health care.*

TOA participates in the Medicare and TennCare, as well as many major commercial insurance plans, thus affording access to care for its patients.

### 3. Economic Efficiencies

*The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system.*

The relocation to new office space will provide for a more efficient operation. The relocation of the MRIs and the continuance of the MRI service for the benefit of TOA's patient will allow it to continue to participate in a competitive market place.

### 4. Quality of Care

*Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.*

TOA provides the highest level of quality care. The MRI service at TOA is accredited by the American College of Radiology.

### 5. Health Care Workforce

*The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.*

This proposal will not require additional staffing for the MRI service.

### [End of Responses to Five Principals for Achieving Better Health]

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

N/A.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

The relocation of the MRIs is an integral part of TOA's relocation to new office space. Beyond that, TOA currently has no long-range development plans which would require CON review.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11"

For purposes of this application, the proper service area is Davidson County, where the two subject MRIs are located and will continue to be located if the application is approved.

A map of the service area is attached as Attachment C, I, Need, 3.

4. A. Describe the demographics of the population to be served by this proposal.

	<u>Davidson County</u>	<u>State of TN Total</u>
Total Population-Current Year-2013	605,923	6,414,297
Total Population-Projected Year-2015	614,222	6,530,459
Total Population-% change	2%	2%
Age 65 and over Population-2013	72,486	904,587
Age 65 and over Population-2015	76,318	960,158
Age 65 and over Population-% change	6%	7%
Age 65 and over Population as % of Total Population	12%	15%
Median Household Income-2010	\$43,825	\$41,461
TennCare Enrollees	121,002	1,213,475
TennCare Enrollees as % of Total	20%	19%
Persons Below Poverty Level	121,185	1,141,745
Persons Below Poverty Level as % of Total	20%	18%

**B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.**

The applicant is not aware of any special needs of the service area population relevant to this proposed change of location of existing MRI units. TOA will continue to participate in Medicare and TennCare and with most major health insurance plans, so the services will continue to be accessible to most payor group enrollees. The new office location is off Charlotte Avenue, a major east-west traffic thoroughfare. The new space will incorporate a more efficient lay out to improve patient convenience and patient flow.

- 5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.**

This project does not involve the initiation of any new service and does not increase the number or capacity of MRI units in the service area.

For informational purposes it should be noted the MRI units operational in Davidson County are well utilized. According to HSDA data, the average utilization per MRI unit (all reporting providers) in Davidson County for the past three reporting years was as follows:

<u>Year</u>	<u>Total No. Units</u>	<u>Total Scans</u>	<u>Avg. Scans per Unit</u>
2009:	49	118,807	2,425
2010:	49	126194	2,575
2011:	50	124815	2,496

As a point of reference the utilization threshold in the Guidelines is 2,200 scans per unit. A complete listing of the utilization data is attached as Attachment C, I, Need, 5.

6. **Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.**

<u>Historical Utilization</u>		<u>Projected Utilization</u>	
2010	7892	Year 1:	7230
2011	7181	Year 2:	7302
2012	7018		

The decrease in MRI volume at TOA from 2010 to 2011 is attributable to several factors. First, TOA opened its Clarksville MRI service around that time, and this caused a volume shift of some cases from the Nashville office to the Clarksville office. Also, two senior physicians retired from practice in 2012 and that volume was lost. A third contributing factor could be the general economic downturn experienced between 2010 and continuing to some extent through 2011.

However, TOA is confident MRI volumes will be increasing over the next several years (the first year of operating at the new site is 2015). TOA added two new physicians in 2012, and has just added a third new physician in 2013. Two more new physicians are also committed to join TOA in 2013. The general economic landscape is also showing slow but gradual improvement.

With these conditions in mind, TOA assumed a reasonable but conservative growth rate of 1% compounded annually each year for the next 4 years.

## II. ECONOMIC FEASIBILITY

1. **Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.**

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

The two MRIs being relocated will occupy approximately 4,565 useable square feet of space. As reflected in Attachment B, II, A the total amount of the lease payments over the initial term of the lease for the MRI space is \$1,802,757.00. This amount is entered on Line B, 1 of the Project Cost Chart.

The cost of the build out not including shielding for the MRI space is \$110.00 per square foot. TOA expects a Tenant Improvement allowance from the landlord of \$65.00 per square foot, so the net out of pocket capital cost to TOA for the build out is \$45 per square foot, or \$205,425. In addition, the cost of installation for the radio-frequency shielding is \$80,890. This results in a total estimated build out cost of \$286,315 for the MRI space. This amount is entered on Line A, 5 of the Project Cost Chart.

A letter from a contractor and a letter from the MRI relocation company are attached as Attachment C, II, Economic Feasibility 1.

A completed Project Cost Chart is attached on the following page.





## PROJECT COSTS CHART

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A.	Construction and equipment acquired by purchase:	
	1. Architectural and Engineering Fees (Included in T.I. allowance and reflected in total lease payments)	\$ -
	2. Legal, Administrative, Consultant Fees	\$20,000
	3. Acquisition of Site	
	4. Preparation of Site	
	5. Construction Costs (Net of T.I. allowance)	\$ 286,315.00
	6. Contingency Fund	\$ 28,632.00
	7. Fixed Equipment (Not included in Construction Contract)	
	8. Moveable Equipment (List all equipment over \$50,000.00)	
	9. Other (Specify) Relocation of (2) MRI Units	\$ 275,000.00
B.	Acquisition by gift donation, or lease:	
	1. Facility (Inclusive of building and land) (Total lease payments)	\$ 1,802,756.68
	2. Building Only	
	3. Land Only	
	4. Equipment (Specify)	
	5. Other (Specify)	
C.	Financing Costs and Fees:	
	1. Interim Financing	
	2. Underwriting Costs	
	3. Reserve for One Year's Debt Service	
	4. Other (Specify)	
D.	Estimated Project Cost (A+B+C)	\$ 2,412,703.68
E.	CON Filing Fee	\$ 5,428.58
F.	Total Estimated Project Cost (D & E)	\$ 2,418,132.26
	TOTAL	\$ 2,418,132.26

**2. Identify the funding sources for this project.**

**a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)**

- ☐ **A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**
- ☐ **B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**
- ☐ **C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.**
- ☐ **D. Grants--Notification of intent form for grant application or notice of grant award; or**
- ☒ **E. Cash Reserves--Appropriate documentation from Chief Financial Officer.**
- ☐ **F. Other—Identify and document funding from all other sources.**

The costs of the project will be funding through a combination of cash reserves, operating revenues and, if necessary, an existing commercial line of credit. A letter from the CFO is attached as Attachment C, II, Economic Feasibility, 2.

**3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.**

The two MRIs being relocated will occupy approximately 4,565 useable square feet of space. As reflected in Attachment B, II, A the total amount of the lease payments over the initial term of the lease for the MRI space is \$1,802,757.00 This amount is entered on Line B, 1 of the Project Cost Chart.

The cost of the build out not including shielding for the MRI space is \$110.00 per square foot. TOA expects a Tenant Improvement allowance from the landlord of \$65.00 per square foot, so the net out of pocket capital cost to TOA for the build out is \$45 per square foot, or \$205,425. In addition, the cost of installation for the radio-frequency shielding is \$80,890. This results in a total estimated build out cost of \$286,315 for the MRI space. This amount is entered on Line A, 5 of the Project Cost Chart.

According to data supplied by the HSDA, the median cost of renovation for CON-approved hospital projects 2009-2011 was \$177.60 per square foot. There was

insufficient volume to allow calculate of such median cost for outpatient diagnostic centers.

4. **Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

A Historical Data Chart and a Projected Data Chart are attached on the following pages.

HISTORICAL DATA CHART

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Give information for the last three (3) years for which complete data are available for the facility or agency.

	Year:	Year:	Year:
	2010	2011	2012
A. Utilization/Occupancy Data	7892	7181	7018
B. Revenue from Services to Patients			
1. Inpatient Services			
2. Outpatient Services	\$12,172,139.03	\$11,649,392.00	\$11,450,877.53
3. Emergency Services			
4. Other Operating Revenue			
Specify: _____			
Gross Operating Revenue	\$12,172,139.03	\$11,649,392.00	\$11,450,877.53
C. Deductions from Operating Revenue			
1. Contract Deductions	\$7,390,778.14	\$7,157,587.16	\$7,482,815.93
2. Provision for Charity Care			
3. Provision for Bad Debt			
Total Deductions	\$7,390,778.14	\$7,157,587.16	\$7,482,815.93
<b>NET OPERATING REVENUE</b>	<b>\$4,781,360.89</b>	<b>\$4,491,804.84</b>	<b>\$3,968,061.60</b>
D. Operating Expenses			
1. Salaries and Wages	\$669,153.09	\$644,983.30	\$656,798.38
2. Physicians' Salaries and Wages			
3. Supplies	\$18,785.52	\$7,489.36	\$15,818.38
4. Taxes	\$1,337.12		
5. Depreciation			
6. Rent	\$53,640.46	\$52,703.63	\$58,146.50
7. Interest, other than Capital			
8. Management Fees:			
a. Fees to Affiliates			
b. Fees to Non-Affiliates			
9. Other Expenses	\$1,665,477.73	\$1,363,522.25	\$1,451,206.38
Specify: See Attached.			
Total Operating Expenses	\$2,408,393.92	\$2,068,698.54	\$2,181,969.64
E. Other Revenue (Expenses)--Net			
Specify: _____			
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$2,372,966.97</b>	<b>\$2,423,106.30</b>	<b>\$1,786,091.96</b>
F. Capital Expenditures			
1. Retirement of Principal			
2. Interest			
Total Capital Expenditures	\$0.00	\$0.00	\$0.00
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$2,372,966.97</b>	<b>\$2,423,106.30</b>	<b>\$1,786,091.96</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>\$2,372,966.97</b>	<b>\$2,423,106.30</b>	<b>\$1,786,091.96</b>

	2010	2011	2012
Radiologist Fees	\$749,886.15	\$421,251.30	\$487,496.08
Repairs & Maintenance	\$231,279.75	\$235,375.74	\$260,969.53
Purchased Services	\$13,622.78	\$17,249.03	\$12,119.21
Allocated Costs	\$670,689.05	\$689,646.18	\$690,621.56
Total Other Expenses	\$1,665,477.73	\$1,363,522.25	\$1,451,206.38

**PROJECTED DATA CHART**

Give information for the two (2) years following completion of this proposal. The fiscal year begins in January.

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	Year 1 (2015)	Year 2 (2016)
A. Utilization/Occupancy Data (Specify unit of measure).	7230	7302
B. Revenue from Services to Patients		
1. Inpatient Services	\$	\$
2. Outpatient Services	\$ 11,557,984.72	\$ 11,673,084.98
3. Emergency Services	\$	\$
4. Other Operating Revenue (Specify)	\$	\$
<b>Gross Operating Revenue</b>	<b>\$ 11,557,984.72</b>	<b>\$ 11,673,084.98</b>
C. Deductions from Operating Revenue		
1. Contractual Adjustments	\$ 7,552,807.37	\$ 7,628,022.05
2. Provisions for Charity Care	\$	\$
3. Provisions for Bad Debt	\$	\$
<b>Total Deductions</b>	<b>\$ 7,552,807.37</b>	<b>\$ 7,628,022.05</b>
<b>NET OPERATING REVENUE</b>	<b>\$ 4,005,177.35</b>	<b>\$ 4,045,062.93</b>
D. Operating Expenses		
1. Salaries and Wages	\$ 669,934.35	\$ 683,333.04
2. Physicians' Salaries and Wages	\$	\$
3. Supplies	\$ 16,292.93	\$ 16,618.79
4. Taxes		
5. Depreciation		
6. Rent	\$96,605.29	\$ 168,117.81
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates		
9. Other Expenses	\$ 1,470,961.13	\$ 1,500,380.35
Specify: Attached		
<b>Total Operating Expenses</b>	<b>\$ 2,253,793.70</b>	<b>\$ 2,368,449.99</b>
E. Other Revenue (Expenses)--Net		
Specify:		
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ 1,751,383.65</b>	<b>\$ 1,676,612.95</b>
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
<b>Total Capital Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ 1,751,383.65</b>	<b>\$ 1,676,612.95</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>\$ 1,751,383.65</b>	<b>\$ 1,676,612.95</b>

	Year 1	Year 2
Radiologist Fees	\$498,732.00	\$508,706.64
Repairs & Maintenance	\$268,798.62	\$274,174.59
Purchased Services	\$12,482.79	\$12,732.45
Allocated Costs	\$690,809.72	\$704,625.91
Total Other Expense	\$1,470,823.13	\$1,500,239.59

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Year 1 (From Projected Data Chart)

Average Gross Charge:	\$1,598.61
Average Deduction:	\$1,044.65
Average Net Charge:	\$553.97

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Please see attachment C, II, Economic Feasibility, 6. TOA is not projecting any changes to current charges at this time.

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

TOA Projected <u>2015</u> Average Gross Charge:	\$1,598.61
Elite Sports & Medicine <u>2011</u> Average Gross Charge:	\$1,248.95
Nashville Bone & Joint <u>2011</u> Average Gross Charge	\$1,501.48

Source: HSDA MRI Utilization Data.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

The utilization rates reflected in the Projected Data Chart result in a positive cash flow in Year 1.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Financial viability is demonstrated in Year 1, as reflected on the Projected Data Chart.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue



**anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

TOA participates in both Medicare and TennCare. TOA is contracted and in network with UnitedHealthcare Community Plan. TOA's contract with AmeriGroup expired on February 12, 2013 after the parties were unable to reach mutually agreeable terms on a renewal.

In 2012 TOA's TennCare payor mix was approximately 4.5% and its Medicare payor mix was approximately 21%. Projecting the same payor mixes for Year 1 of the project, the revenues from the two programs would be:

Medicare:	21% of Gross Charges	\$2,427,177
	21% of Net Revenues	\$841,087
TennCare	4.5% of Gross Charges	\$520,109
	4.5% of Net Charges	\$180,233

- 10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Copies of the financial statements are attached as Attachment C, II, Economic Feasibility, 10.

- 11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**
- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**

No less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal were identified. TOA's lease is coming to its expiration. TOA needs larger, more up to date and efficient office space. The MRI service is an important component of health care services for TOA's patients. The lease terms are commercially reasonable. The location is convenient and accessible.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing**

arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

There is no new construction by TOA involved in this project. Modernization of the existing space or sharing arrangements are not practical or desirable.

### **(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE**

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

RadSource/Imaging Specialists: MRI Interpretation Studies

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

The relocation of these MRI units should have no impact on the health care industry as a whole. It will have a positive effect on TOA patients because they will have access to MRI services in an improved environment. No additional MRI units are coming into the market as a result of the relocation so this will not cause duplication of services.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

A staffing chart for patient care positions is attached as Attachment C, III, Orderly Development, 3.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

This project will not result in any change in the staffing for the MRI service.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include,

without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

TOA is committed to continued compliance with all applicable regulations and professional standards. The TOA MRI service is accredited by the American College of Radiology

6. **Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

While TOA physicians work with residents, interns, nursing students and student trainers etc. there are no formal programs. TOA also works with local high schools to let their students shadow the physicians, therapists and technologists to aid in choosing their career paths.

7. (a) **Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

N/A. TOA is a private physician practice and is not a licensed health care institution. TOA will continue to comply with applicable Medicare certification requirements.

- (b) **Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.**

**Licensure:** N/A.

**Accreditation:** American College of Radiology.

**If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.**

N/A. TOA is a private physician practice and is not a licensed health care institution. The TOA MRI service is accredited by the American College of Radiology. A copy of the ACR Accreditation certificate for each of the two relevant MRI units is attached as Attachment C, III, Orderly Development, 7.

8. **For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.**

N/A.

9. **Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the**

applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

None.

10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

None.

11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

If the proposal is approved TOA will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

## PROOF OF PUBLICATION

**Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.**

The Notice of Intent was published in The Tennessean, a newspaper of general circulation in Davidson County on February 10, 2013. A copy of the Publisher's Affidavit is attached following this page. The original will be submitted when received.

## DEVELOPMENT SCHEDULE

**Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.**

- 1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

A completed Project Completion Forecast Chart is attached on the following page.

- 2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.**

**Newspaper:** THE TENNESSEAN**State Of Tennessee****TEAR SHEET  
ATTACHED****Account Number:** 540273**Advertiser:** TENNESSEE ORTHOPEDIC ALLIANCE,**RE:** NOI CERTIFICATE OF NEED*Holly Perry***Sales Assistant** for the

above mentioned newspaper, hereby certify that the attached  
advertisement appeared in said newspaper on the following dates:

*J*  
2/10/2013*Holly Perry*

Subscribed and sworn to me this 11 day of February, 2013

*Sela Bates*

NOTARY PUBLIC



## THE TENNESSEAN

TENNESSEE

...to file an application for a Certificate of Need to construct a new fourth floor of medical-surgical beds, and to initiate neonatal intensive care services in a new 6-bed Level II-B neonatal nursery, on its main campus at 355 New Shackle Island Road, Hendersonville, TN 37075, at a capital cost estimated at \$33,000,000.

Hendersonville Medical Center is licensed by the Board for Licensing Health Care Facilities, Tennessee Department of Public Health. The project will not change the total licensed bed complement. The hospital currently holds a single consolidated license for 148 general hospital beds, of which 110 are at its main Hendersonville campus and 38 are at its satellite campus at 105 Redbud Drive, Portland, TN 37148. The project will relocate 13 beds from the satellite campus to the main campus, resulting in 123 licensed beds at the Hendersonville campus and 25 licensed beds at the Portland satellite campus. The project does not contain major medical equipment or initiate or discontinue any other health service.

The anticipated date of filing the application is on or before February 15, 2013. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 203, Nashville, TN 37215, (615) 665-2022. Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency  
Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

Pursuant to TCA Sec. 68-11-1607(c)(1): (A) any health care institution wishing to oppose a Certificate of Need application must file a written objection with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled, and (B) any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Continued to next column

Continued to next column

0101627255

## NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Tennessee Orthopedic Alliance owned and operated by Tennessee Orthopedic Alliance, P.C., located at 301 21st Avenue, No., Nashville, Tennessee intends to file an application for a Certificate of Need for the relocation of two MRI units from the current location to TOA's proposed future office space to be located at 3000 Charlotte Avenue, Nashville Tennessee. There are no inpatient beds, new services or new major medical equipment involved in this project. The estimated project cost is not to exceed \$3,200,000.00.

The anticipated date of filing the application is February 15, 2013.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Stites & Harbison, PLLC, 401 Commerce Street, Suite 800, Nashville, Tennessee, 37219, 615-782-2228.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Tennessee Health Services and Development Agency  
Frost Building, 3rd Floor  
161 Rosa L. Parks Boulevard  
Nashville, TN 37243

Pursuant to T.C.A. § 68-11-1607(c) (1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

### NOTICE TO CONSULTANT ENGINEERS REGARDING A REQUEST FOR PROPOSALS February 10, 2013 (Construction Division)

The Tennessee Department of Transportation (TDOT), an Equal Opportunity/Affirmative Action Employer, seeks to retain the services of professional engineering consulting firms to provide expertise in construction engineering and inspection services on the project described below. The scope of work will include but not be limited to construction engineering, inspection, surveying, and materials testing. The method of payment shall be cost plus percentage net fee. The project may be withdrawn if anticipated funding does not become available. **Project No. 1:** SR-26 Bridge Replacement over Caney Fork River and Sligo Road, in DeKalb County. *The goal of the department is to retain a firm with specialty experience in the Deep Water Construction/Drilled Shaft Foundation Inspection.* Firms may request consideration by submitting one electronic copy of **Part II of Form DT-0330** (no hardcopies necessary) to [john.saalwaechter@tn.gov](mailto:john.saalwaechter@tn.gov), or to the Construction Division at Suite 700 James K. Polk Building, 505 Deaderick Street, Nashville, TN 37243-0326. The form is available on the internet at: <http://www.tdot.state.tn.us/ConsultantInfo/Forms.htm>. Please make sure to include a staffing chart indicating the identities and responsibilities of key employees (including any subcontractors) who will be assigned to the project. Notation should be made if any subcontractor is a DBE, MBE or WBE. A project staffing chart, including suggested and required certifications is available at: [http://www.tdot.state.tn.us/construction/CEI/Advertisement\\_plans/default.asp](http://www.tdot.state.tn.us/construction/CEI/Advertisement_plans/default.asp).

It is requested that **Section H** of the DT-0330 form be used to include a brief description of the current activity/stage of completion for any other TDOT CEI project(s) the firm has been selected on within the past five (5) years. The description should identify any project that is inactive or waiting for authorization to proceed with a short explanation for the inactivity. To be considered in our selection process, completed DT-0330, Part II Forms must be received by the Construction Division before 4:00 p.m. Central Time on Monday March 4, 2013. If you have any questions or need additional information regarding the scope of the construction inspection and surveying services or submission of Part II of the DT-0330 Form, please contact Mr. John Paul Saalwaechter

quantity thereof, including, but not limited to, the enforceability of any lease affecting the property, the existence or absence of defaults under or the effect of this sale upon the rights of any party under such lease. The Substitute Trustee shall make no warranty of title, express or implied, and will sell and convey the subject real property by Substitute Trustee's Deed only.

The substitute trustee may adjourn or postpone the aforementioned sale of real property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time and place fixed by the preceding postponement or subsequent notice made such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale. If applicable, the Notice requirements of T.C.A. § 35-5-117 have been met.

The failure of any high bidder to pay the purchase price and close the sale shall, at the option of the Substitute Trustee, be cause for rejection of the bid, and, if the bid is rejected, the Substitute Trustee shall have the option of making the sale to the next highest bidder who is ready, willing, and able to comply with the terms thereof. The proceeds derived from the sale of the property will be applied as provided for in said deed of trust. Terms of sale: Cash Substitute Trustee: David G. Mangum

Substitute Trustee  
2303 Franklin Road  
Nashville, TN 37204  
(615) 255-8690

Interested Parties: Williamson County Trustee, 2011 delinquent property taxes  
Gault Financial, LLC - Assignee of GE Capital/Sam's Club  
Publishers: The Williamson AM  
Editions dated: Sunday, January 29, February 3, and February 10, 2013  
File #71699

**125 AUTO RECYCLING**  
We buy cars, trucks, vans in any cond. Free pick up. No title needed. We beat any reasonable offer. Cash paid on spot. 615-935-5023

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Maximum Cash Paid  
We Beat Competitor \$5 Minimum Paid  
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615-767-3484  
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BUICK LACROSSE '07, 53K mi. Loaded, garaged. \$10,500, 931-967-4222 or 931-607-9417 Please no solicitors.

BUICK LESABRE '04 Loaded, beige w/leather interior, 77K miles, excellent condition! \$7500 obo. Call 615-517-1426

remote, 94K mi, clean & sporty. \$4995. 330-3152

FORD FUSION '10, SE, Appearance Pkg, Auto, 33+ MPG, All Pwr, Cruise, Excellent Cond. \$11,950. 901-831-0740

HONDA ACCORD '00 EX, 200K mi, black, grey leather, sunroof, auto, pw, pdl, cruise, tilt, good cond, \$3750. 615-896-0027

HONDA ACCORD '07, EX-L, loaded, only 15K mi, auto, leather, moonroof, 6-disc CD, all pwr. Exc. cond. \$14,800. 615-791-8704

HONDA ACCORD '08 EX, 47K, gold, cloth wood grain interior, trim, sunroof, garaged, lady driver, \$15,500. 615-826-5138

HONDA ACCORD 08 EX Sedan, V-6, 58K Miles, Call Danny Cotten 615-478-5598 \$16,870 Used Incl \$189 doc fee plus TTL. 017169 TNDL#984

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MP3, heated FWD, 114000mi excellent MPG, \$479-9093

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VOLVO 960 '97, station wagon a/c, heated 5 more, 140K. \$2292-3711 or 615-

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IMPORTANT Use caution wh to wire money fo in some cases n been transfer no vehicle was i

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**SELL YOUR WAY**

**YOU D**

## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c):  
May, 2013. (Below calculated from June, 2013). 2013 FEB 15 PM 12 52

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>PHASE</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. Architectural and engineering contract signed	<u>N/A</u>	<u>March, 2013</u>
2. Construction documents approved by the Tennessee Department of Health	<u>N/A</u>	<u>N/A</u>
3. Construction contract signed	<u>60</u>	<u>July, 2013</u>
4. Building permit secured	<u>N/A</u>	<u>N/A</u>
5. Site preparation completed	<u>N/A</u>	<u>N/A</u>
6. Building construction commenced	<u>N/A</u>	<u>N/A</u>
7. Construction 40% complete	<u>N/A</u>	<u>N/A</u>
8. Construction 80% complete	<u>N/A</u>	<u>N/A</u>
9. Construction 100% complete (approved for occupancy)	<u>N/A</u>	<u>N/A</u>
10. *Issuance of license	<u>N/A</u>	<u>N/A</u>
11. *Initiation of service	<u>540</u>	<u>December, 2014</u>
12. Final Architectural Certification of Payment	<u>N/A</u>	<u>N/A</u>
13. Final Project Report Form (HF0055)	<u>600</u>	<u>February, 2015</u>

\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

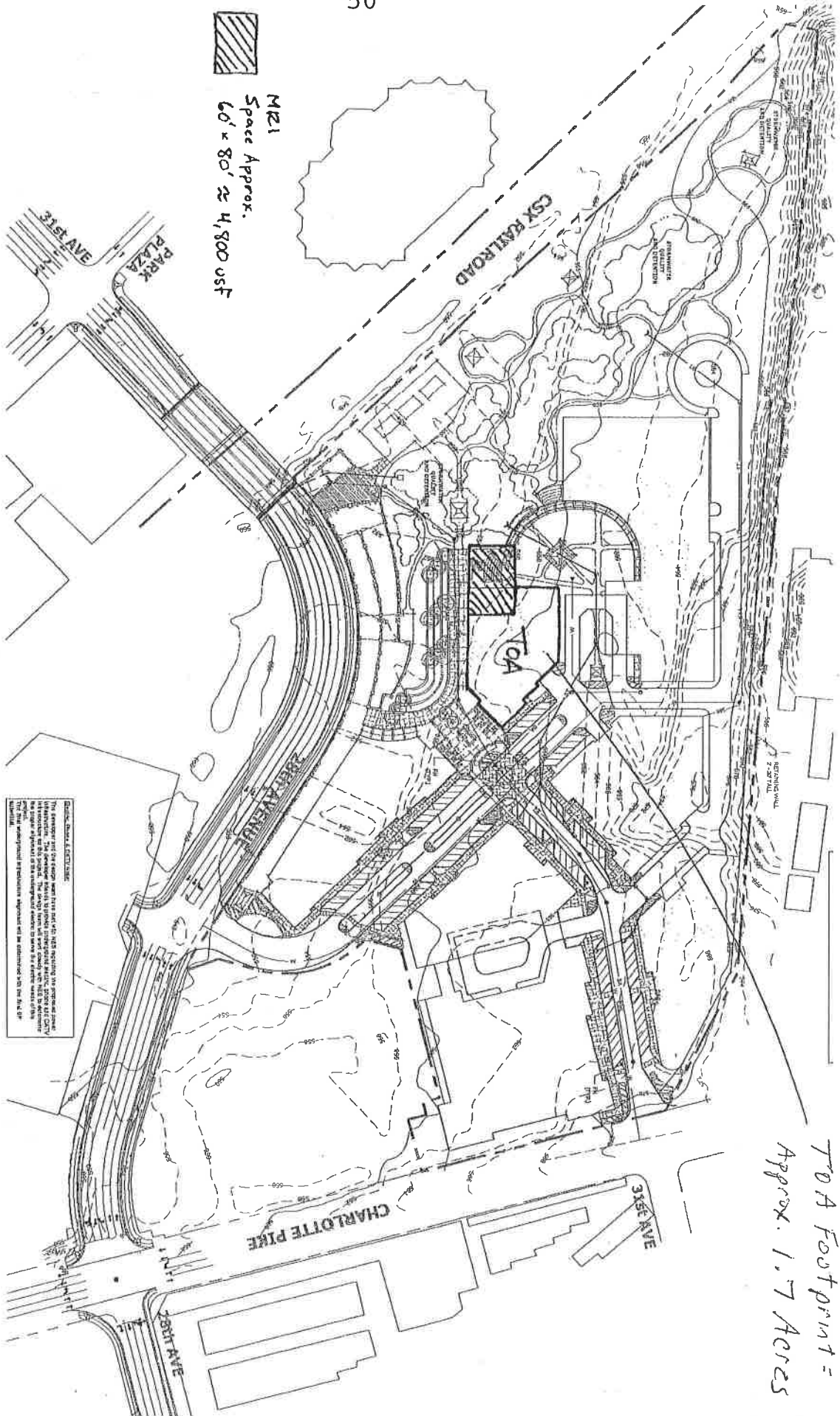


INDEX OF ATTACHMENTS

Organizational Documentation	<u>Attachment A, 4</u>
Option to Lease	<u>Attachment A, 6</u>
Lease Payment Schedule	<u>Attachment B, II, A</u>
Plot Plan	<u>Attachment B, III, (A)</u>
Floor Plan	<u>Attachment B, IV</u>
Map of the Service Area	<u>Attachment C, I, Need, 3</u>
Utilization Data	<u>Attachment C, I, Need, 5</u>
Letters from Contractor and MRI Relocation Vendor	<u>Attachment C, II, Economic Feasibility 1</u>
Funding Letter	<u>Attachment C, II, Economic Feasibility, 2</u>
Charge Schedule	<u>Attachment C, II, Economic Feasibility, 6</u>
Financial Statements	<u>Attachment C, II, Economic Feasibility, 10</u>
Staffing Chart	<u>Attachment C, III, Orderly Development, 3</u>
ACR Accreditation Certificate	<u>Attachment C, III, Orderly Development, 7</u>



M21  
Space Approx.  
60' x 80' ≈ 4,800 usf



THESE PLANS AND SPECIFICATIONS ARE PREPARED BY THE ARCHITECT FOR THE OWNER'S USE. THE ARCHITECT MAKES NO WARRANTY, REPRESENTATION OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE ACCURACY, COMPLETENESS, OR SUFFICIENCY OF THE INFORMATION PROVIDED BY THE OWNER OR ANY OTHER SOURCE. THE ARCHITECT SHALL NOT BE RESPONSIBLE FOR ANY ERRORS OR OMISSIONS IN THESE PLANS OR SPECIFICATIONS, OR FOR ANY CONSEQUENCES ARISING FROM THEIR USE. THE ARCHITECT'S LIABILITY IS LIMITED TO THE DESIGN AND CONSTRUCTION OF THE PROJECT. THE ARCHITECT SHALL NOT BE RESPONSIBLE FOR ANY OTHER MATTERS, INCLUDING BUT NOT LIMITED TO, THE OBTAINING OF PERMITS, THE COMPLETION OF THE PROJECT, OR THE PERFORMANCE OF THE PROJECT. THE ARCHITECT'S SERVICES ARE LIMITED TO THE DESIGN AND CONSTRUCTION OF THE PROJECT. THE ARCHITECT SHALL NOT BE RESPONSIBLE FOR ANY OTHER MATTERS, INCLUDING BUT NOT LIMITED TO, THE OBTAINING OF PERMITS, THE COMPLETION OF THE PROJECT, OR THE PERFORMANCE OF THE PROJECT.

CIVIL SITE  
DESIGN GROUP, PLLC

BSA

555 065157

GRADING, DRAINAGE AND INFRASTRUCTURE PLAN

ONECITY

Nashville, Tennessee

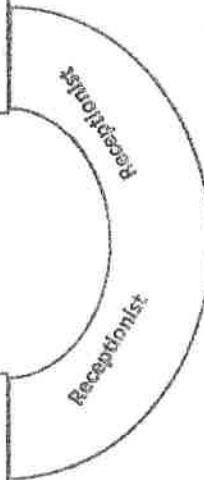
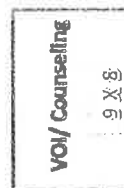
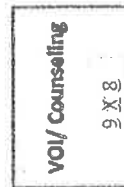
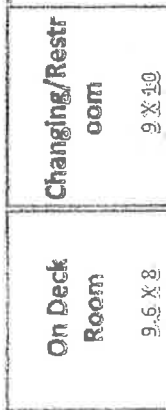
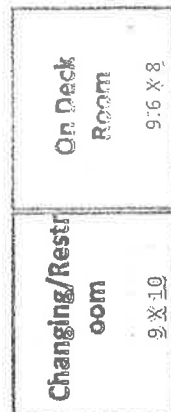
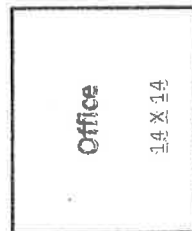
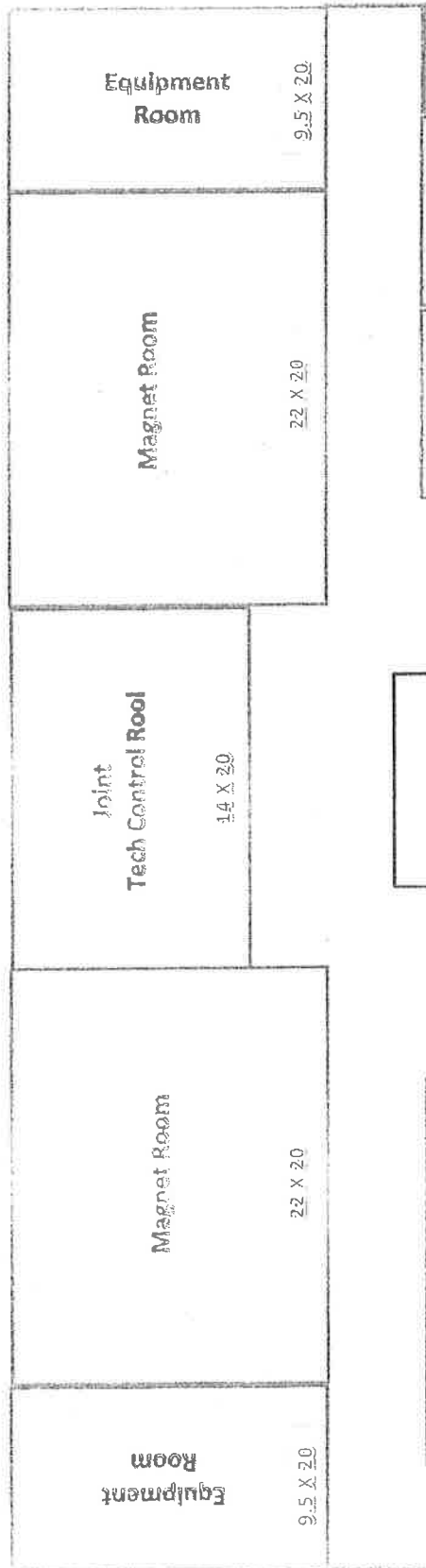
#2011SP-009-001



DATE: 10/06/2011

TCA Footprint =  
Approx. 1.7 Acres

83 Feet



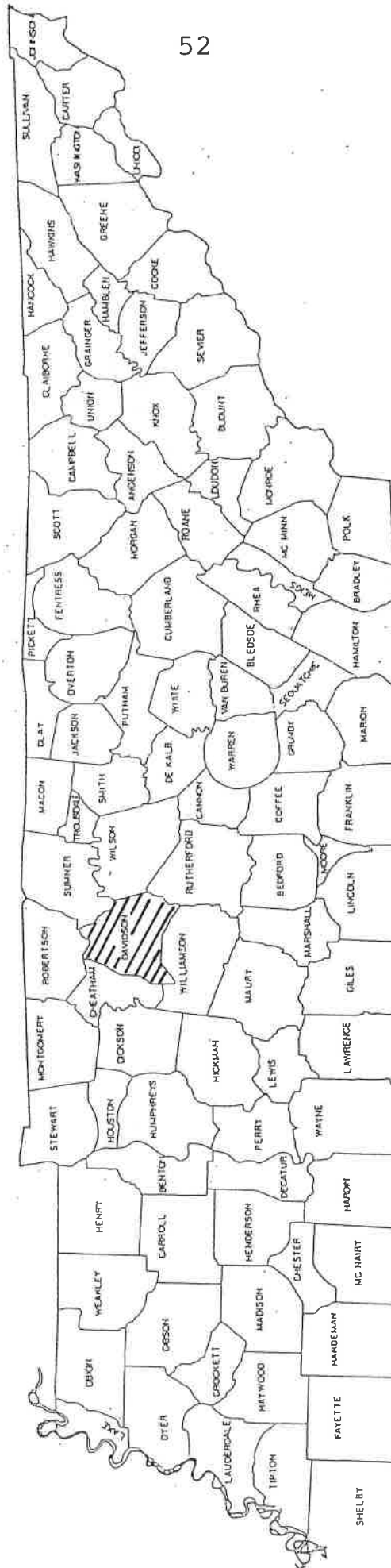
**TOA**  
TUNSHIRE ORTHOPAEDIC ALLIANCE  
MRI  
4565 Sq. Ft.

55 Feet 51

# SERVICE AREA

FOR

## TENNESSEE ORTHOPEDIC ALLIANCE, NASHVILLE OFFICE MRI



# Health Care Providers that Utilize MRI's in Davidson County

County	Provider Type	Provider	Year	Number of	Mobile ?	Mobile Days Used	Total Procedures	Total Charges
Davidson	HOSP	Baptist Hospital	2009	3	Fixed	0	7100	\$17,480,434.00
Davidson	HOSP	Baptist Hospital	2010	3	Fixed	0	6619	\$17,582,740.00
Davidson	HOSP	Baptist Hospital	2011	3	Fixed	0	5920	\$19,007,510.00
Davidson	ODC	Belle Meade Imaging	2009	1	Fixed	0	2352	\$3,463,445.00
Davidson	ODC	Belle Meade Imaging	2010	1	Fixed	0	2361	\$2,939,438.00
Davidson	ODC	Belle Meade Imaging	2011	1	Fixed	0	2511	\$3,488,214.00
Davidson	PO	Center for Inflammatory Disease	2009	1	Fixed	0	200	\$170,640.00
Davidson	PO	Center for Inflammatory Disease	2010	1	Fixed	0	154	\$121,660.00
Davidson	PO	Center for Inflammatory Disease	2011	1	Fixed	0	130	\$102,700.00
Davidson	PO	Elite Sports Medicine & Orthopaedic Center	2009	2	Fixed	0	4447	\$4,335,035.00
Davidson	PO	Elite Sports Medicine & Orthopaedic Center	2010	2	Fixed	0	4470	\$4,395,915.00
Davidson	PO	Elite Sports Medicine & Orthopaedic Center	2011	2	Fixed	0	4793	\$5,986,200.00
Davidson	PO	Heritage Medical Associates-Murphy Avenue	2011	1	Fixed (Shared)	0	639	\$493,414.00
Davidson	ODC	Hillsboro Imaging	2009	1	Fixed	0	4156	\$6,147,579.00
Davidson	ODC	Hillsboro Imaging	2010	1	Fixed	0	3738	\$5,459,449.00
Davidson	ODC	Hillsboro Imaging	2011	1	Fixed	0	2869	\$6,009,965.00
Davidson	ODC	Millennium MRI, LLC	2009	1	Fixed (Shared)	0	404	\$915,939.00
Davidson	ODC	Millennium MRI, LLC	2010	1	Fixed (Shared)	0	491	\$1,038,301.00
Davidson	ODC	Millennium MRI, LLC	2011	1	Fixed (Shared)	0	371	\$788,021.00
Davidson	PO	Nashville Bone and Joint	2009	1	Fixed (Shared)	0	979	\$1,468,714.00
Davidson	PO	Nashville Bone and Joint	2010	1	Fixed (Shared)	0	1053	\$1,592,775.00
Davidson	PO	Nashville Bone and Joint	2011	1	Fixed (Shared)	0	947	\$1,421,904.00
Davidson	HOSP	Nashville General Hospital	2009	1	Fixed	0	1393	\$3,127,879.00
Davidson	HOSP	Nashville General Hospital	2010	1	Fixed	0	1605	\$3,842,732.00
Davidson	HOSP	Nashville General Hospital	2011	1	Fixed	0	1842	\$4,794,109.00
Davidson	PO	Neurological Surgeons, PC Imaging Office	2009	1	Fixed	0	3917	\$2,404,078.00
Davidson	PO	Neurological Surgeons, PC Imaging Office	2010	1	Fixed	0	6438	\$7,250,793.00
Davidson	PO	Neurological Surgeons, PC Imaging Office	2011	1	Fixed	0	6052	\$6,808,500.00
Davidson	ODC	Next Generation Imaging, LLC	2009	1	Fixed (Shared)	0	630	\$1,371,218.00
Davidson	ODC	Next Generation Imaging, LLC	2010	1	Fixed (Shared)	0	603	\$1,374,195.00
Davidson	ODC	Next Generation Imaging, LLC	2011	1	Fixed (Shared)	0	740	\$1,553,034.00
Davidson	H-Imaging	One Hundred Oaks Breast Center	2009	1	Fixed	0	436	\$1,555,544.00
Davidson	H-Imaging	One Hundred Oaks Breast Center	2010	1	Fixed	0	508	\$1,531,920.00
Davidson	H-Imaging	One Hundred Oaks Breast Center	2011	1	Fixed	0	586	\$1,867,426.00
Davidson	ODC	One Hundred Oaks Imaging	2009	1	Fixed	0	1992	\$2,823,407.00

# Health Care Providers that Utilize MRI's in Davidson County

County	Provider Type	Provider	Year	Number of	Mobile ?	Mobile Days Used	Total Procedures	Total Charges
Davidson	ODC	One Hundred Oaks Imaging	2010	1	Fixed	0	3351	\$4,747,664.00
Davidson	ODC	One Hundred Oaks Imaging	2011	1	Fixed	0	2869	\$4,720,681.00
Davidson	ODC	Outpatient Diagnostic Center of Nashville	2009	2	Fixed	0	2860	\$4,117,932.00
Davidson	ODC	Outpatient Diagnostic Center of Nashville	2010	2	Fixed	0	2560	\$3,506,325.00
Davidson	ODC	Outpatient Diagnostic Center of Nashville	2011	2	Fixed	0	3865	\$4,755,916.00
Davidson	PO	Pain Management Group, PC	2009	1	Fixed	0	1152	\$1,823,428.00
Davidson	PO	Pain Management Group, PC	2010	1	Fixed	0	1891	\$0.00
Davidson	PO	Pain Management Group, PC	2011	1	Fixed	0	1715	\$2,410,306.00
Davidson	ODC	Premier Orthopaedics and Sports Medicine	2009	2	Fixed	0	5654	\$8,136,286.00
Davidson	ODC	Premier Orthopaedics and Sports Medicine	2010	2	Fixed	0	6200	\$8,768,190.44
Davidson	ODC	Premier Orthopaedics and Sports Medicine	2011	2	Fixed	0	6229	\$8,955,969.00
Davidson	ODC	Premier Radiology Belle Meade	2009	3	Fixed	0	9373	\$12,906,781.00
Davidson	ODC	Premier Radiology Belle Meade	2010	3	Fixed	0	7222	\$10,541,949.00
Davidson	ODC	Premier Radiology Belle Meade	2011	3	Fixed	0	7872	\$13,900,923.00
Davidson	ODC	Premier Radiology Edmondson Pike	2009	1	Mobile (Full)	5 days/week	1297	\$2,524,234.00
Davidson	ODC	Premier Radiology Edmondson Pike	2010	1	Mobile (Full)	5 days/week	1328	\$2,662,340.00
Davidson	ODC	Premier Radiology Edmondson Pike	2011	1	Mobile (Full)	5 days/week	931	\$1,566,109.00
Davidson	ODC	Premier Radiology Hermitage	2009	2	Fixed	0	4433	\$6,542,039.00
Davidson	ODC	Premier Radiology Hermitage	2010	2	Fixed	0	4779	\$7,153,964.00
Davidson	ODC	Premier Radiology Hermitage	2011	2	Fixed	0	4931	\$8,973,043.00
Davidson	ODC	Premier Radiology Nashville	2009	1	Fixed	0	2501	\$4,697,015.00
Davidson	ODC	Premier Radiology Nashville	2010	1	Fixed	0	3012	\$6,051,823.00
Davidson	ODC	Premier Radiology Nashville	2011	1	Fixed	0	2492	\$4,346,364.00
Davidson	ODC	Specialty MRI	2009	1	Fixed	0	2062	\$4,588,846.00
Davidson	ODC	Specialty MRI	2010	1	Fixed	0	1762	\$4,000,665.00
Davidson	ODC	Specialty MRI	2011	1	Fixed (Shared)	0	1562	\$3,546,375.00
Davidson	ODC	St. Thomas Heart	2009	1	Fixed	0	1851	\$2,516,390.00
Davidson	ODC	St. Thomas Heart	2010	1	Fixed	0	3454	\$2,179,486.00
Davidson	ODC	St. Thomas Heart	2011	1	Fixed	0	2076	\$1,759,094.00
Davidson	HOSP	St. Thomas Hospital	2009	3	Fixed	0	6457	\$15,992,896.00
Davidson	HOSP	St. Thomas Hospital	2010	3	Fixed	0	6049	\$17,029,834.00
Davidson	HOSP	St. Thomas Hospital	2011	3	Fixed	0	5643	\$19,181,504.00
Davidson	PO	Tennessee Orthopaedic Alliance Imaging	2009	3	Fixed	0	8719	\$13,399,493.00
Davidson	PO	Tennessee Orthopaedic Alliance Imaging	2010	3	Fixed	0	7892	\$12,097,457.00
Davidson	PO	Tennessee Orthopaedic Alliance Imaging	2011	3	Fixed	0	7181	\$11,631,898.00
Davidson	HOSP	Tristar Centennial Medical Center	2009	3	Fixed	0	6736	\$27,458,628.00

# Health Care Providers that Utilize MRI's in Davidson County

County	Provider Type	Provider	Year	Number of	Mobile ?	Mobile Days	Total Procedures	Total Charges
		Used						
Davidson	HOSP	Tristar Centennial Medical Center	2010	3	Fixed	0	7326	\$32,068,453.00
Davidson	HOSP	Tristar Centennial Medical Center	2011	3	Fixed	0	7561	\$35,729,421.00
Davidson	HOSP	Tristar Skyline Medical Center	2009	2	Fixed	0	7398	\$29,762,653.00
Davidson	HOSP	Tristar Skyline Medical Center	2010	2	Fixed	0	7481	\$33,351,135.00
Davidson	HOSP	Tristar Skyline Medical Center	2011	2	Fixed	0	7339	\$35,589,283.00
Davidson	HOSP	Tristar Southern Hills Medical Center	2009	1	Fixed	0	3328	\$10,233,361.00
Davidson	HOSP	Tristar Southern Hills Medical Center	2010	1	Fixed	0	2586	\$8,538,810.00
Davidson	HOSP	Tristar Southern Hills Medical Center	2011	1	Fixed	0	2528	\$8,948,350.00
Davidson	HOSP	Tristar Summit Medical Center	2009	1	Fixed	0	3762	\$15,304,590.00
Davidson	HOSP	Tristar Summit Medical Center	2010	1	Fixed	0	3718	\$16,548,276.00
Davidson	HOSP	Tristar Summit Medical Center	2011	1	Fixed	0	3723	\$17,595,215.00
Davidson	HODC	Tristar Summit Medical Center - ODC	2009	1	Fixed (Shared)	0	2539	\$9,417,426.00
Davidson	HODC	Tristar Summit Medical Center - ODC	2010	1	Fixed (Shared)	0	2072	\$8,606,976.00
Davidson	HODC	Tristar Summit Medical Center - ODC	2011	1	Fixed (Shared)	0	1858	\$8,007,223.00
Davidson	HOSP	Vanderbilt University Hospital	2009	6	Fixed	0	20679	\$72,188,731.00
Davidson	HOSP	Vanderbilt University Hospital	2010	6	Fixed	0	25471	\$91,647,237.00
Davidson	HOSP	Vanderbilt University Hospital	2011	6	Fixed	0	27040	\$92,442,216.00
Medical Equipment Registry - 1/24/2013								
Year				Units	Scans Scans per Unit			
Total 2009				49	118807 2,425			
Total 2010				49	126194 2,575			
Total 2011				50	124815 2,496			

# MRI Tenant Improvement

February 13, 2013

**Project Location:**

3000 Charlotte Avenue  
Nashville, TN 37209

**Prepared For:**

**Tennessee Orthopaedic Alliance**

**TOA**

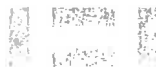
Gary W. Poland RT.(R)(MR)

TOA MRI Director

Phone 615-695-7722

Fax 615-329-1130

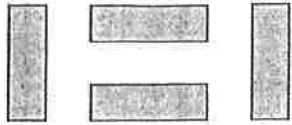
**Prepared By:**



HOLLADAY  
CONSTRUCTION  
GROUP

Jeff Kurzhal, AIA  
1508 Elm Hill Pike, Suite 100  
Nashville, TN 37210  
P. 615-312-4650  
E. [jkurzhal@hcgllc.net](mailto:jkurzhal@hcgllc.net)





# HOLLADAY CONSTRUCTION GROUP

*Creating Solutions...Building Relationships*

## TOA

### MRI Tenant Improvement

#### Cost Analysis Summary

Holladay Construction Group has reviewed the proposed schematic plans and shielding proposal for the MRI tenant improvement project to be constructed for Tennessee Orthopaedic Alliance at 3000 Charlotte Avenue. Based on our extensive medical office experience, and assuming the Holladay Construction Group is awarded the contract, it is our opinion that the 4,565 square foot suite can be constructed per the costs noted on the attached "Projects Cost Chart." Below is a list of documents Holladay was provided for review. Our assumptions and exclusions are also noted below. Additionally, I have attached the exhibits we used to make our determination.

#### Documents Reviewed (Exhibits)

The following is a list of documents provided to Holladay Construction Group for our review in assisting the client on preparing the project budget and schedule.

**Exhibit A:** Schematic floor plan dated 2-4-13 indicating special relationships of support functions within the MRI suite. Approximate size to be 83 feet by 55 feet for a total square footage of 4,565.

**Exhibit B:** Shielding Proposal dated 2-5-13 detailing the scope of work to complete two RF shielded rooms approximately 20'22'x10' high.

**Exhibit C:** Project Costs Chart showing a budget of \$110 psf plus the shielding costs noted in Exhibit B.

**Exhibit D:** Project Completion Forecast Chart indicating the anticipated timelines of the project.

#### Assumptions and Exclusions

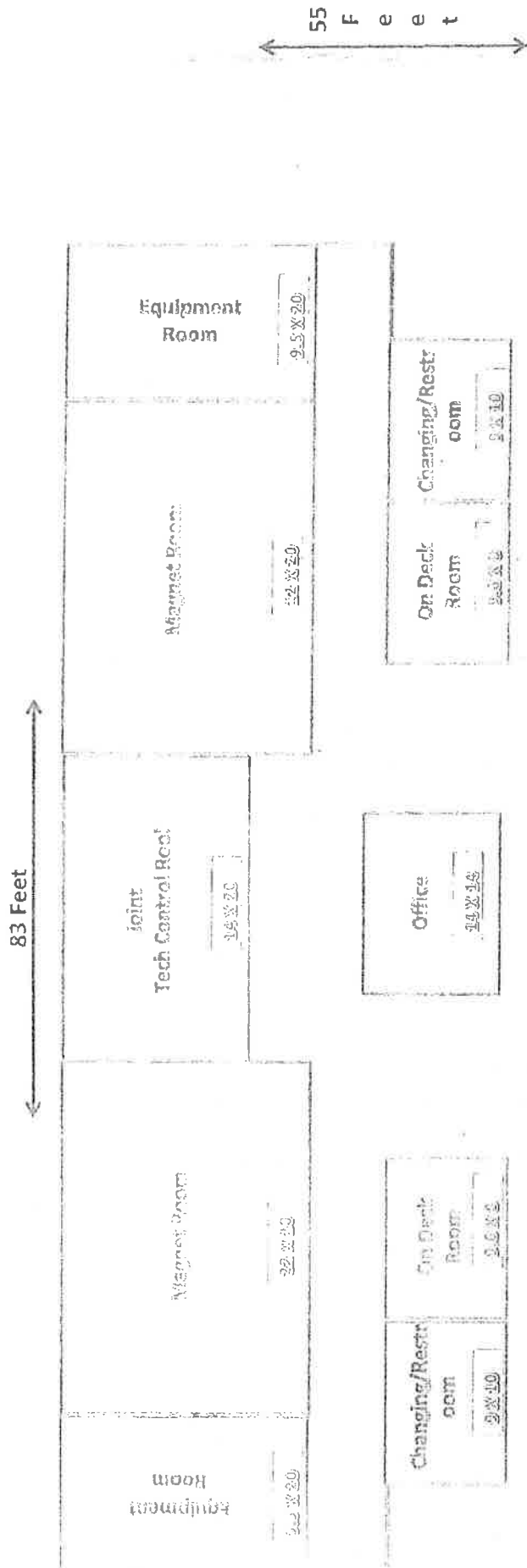
- Tenant improvements to be constructed in 1<sup>st</sup> generation shell space – no demo required.
- Tenant space will have base building HVAC but will require distribution within the suite.
- Dedicated MRI mechanical and electrical equipment will be provided by equipment suppliers.
- Base electrical capacity will be designed into the shell building.
- Electrical distribution within the suite will be included in the tenant improvement cost.
- All Equipment and furniture is by others.

Please feel free to contact me with any questions or concerns.

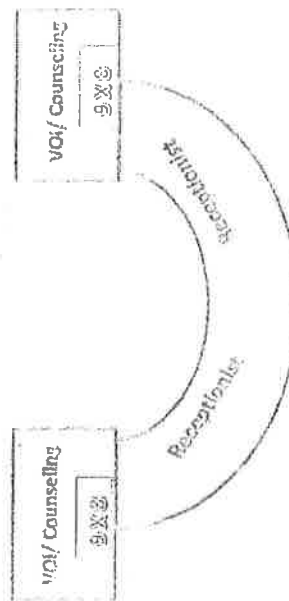
Jeff Kurzhal, AIA  
Project Manager – Nashville  
615-312-4650  
jkurzhal@hcgllc.net

Corporate	Portage	Indianapolis	Nashville	Ashland
227 S Main Street #200	1605 Adler Circle #E	5715 Decatur Blvd.	1508 Elm Hill Pike Ste. 100	11159 Air Park Rd. Suite 2
South Bend, IN 46601	Portage, IN 46368	Indianapolis, IN 46241	Nashville, TN 37210	Ashland, VA 23005
Phone: 574.234.2073	Phone: 219.841.6416	Phone: 317.856.9000	Phone: 615.244.9620	Phone: 804.496.6182
Fax: 574.284.3796	Fax: 219.764.0446	Fax: 317.856.9012	Fax: 615.365.3234	Fax: 804.496.6183

# Exhibit A



**TOA**  
TECHNICAL OPERATIONS ALLIANCE  
**MRI**  
 4565 Sq. Ft.





## Advanced Healthcare Construction

*for all your medical imaging needs*

28 S. Old Military Rd  
St. Joseph, TN 38481

(931) 242-6433  
(931) 242-1605

February 5, 2013

Ref. RF shielding quote for TOA of Nashville, Tenn. currently located at 301 21<sup>st</sup> Street.

Attn. Gary Poland

Advanced Healthcare Construction, AHC, would like to provide a scope of work and costing needed to provide a complete RF shielded room which is approx. 20'x22'x 10' high side walls. This project is with TOA of Nashville and consists of two complete RF shielded rooms designed to meet or exceed RF shielding requirements of whatever MRI vendor is selected. The scope includes:

- (1) Room will be framed with rough openings also framed out per drawings. This work will be done by your general contractor and will be done prior to AHC coming on site to do the shielding.
- (2) AHC will install a joist system over the MRI scan room using metal joist and track. This is necessary for us to have something to attach our shielding system to.
- (3) AHC will be responsible for supplying and installing fire rated plywood to the walls and ceiling area. This is necessary in order to have something to attach copper shielding to.
- (4) AHC will then attach copper shielding to the walls, ceiling, and floor. Prior to installing copper on the floor, AHC will install a layer of VCT flooring as an isolator to keep the copper from being in contact with the concrete.
- (5) AHC's shield package contains one 6'x3' RF view window, one 4'x7' RF door, a wave guide that will penetrate the shield for cryogen vent piping, all A/C wave grills required for bring A/C and exhaust fans into the room, electrical filters per electrical engineer drawings installed for bringing power into the room, any wave guides for MRI vendor's purposes, and any other penetrations required such as sprinkler, etc. Please note, no RF shielded windows are included for exterior walls at this time.

- (6) A self leveling product, Schonox, will be poured on the floor in the room to bring the floor up to desired height and to protect the shielding.
- (7) AHC will fur the walls inside the room with fire rated 2x4's on the flat for electrical rough in and for sheet rock to be installed to. Electric and sheet rock not included.
- (8) AHC will install a wave guide for the cryogen vent piping inside the scan room. It will be your mechanical contractor's responsibility to terminate it to the magnet and to the outside.
- (9) Once the MRI has been placed inside the scan room, the hatch wall will be framed by your general contractor. AHC will then apply fire rated plywood and copper shielding to that area and complete the RF shielding.
- (10) AHC will be responsible for installing the penetration panel that is furnished by the MRI vendor.
- (11) After the shielding is complete, an independent test company will come in and do a test on the shield to certify that it meets or exceeds vendor's requirements.

There is no allowance for magnetic shielding at this time. The 5 gauss should be contained within the walls of the scan room.

Total cost for the above mentioned scope of work: \$40,445.00 per shielded room for a total cost of \$80,890.00

Payment terms: 25% due with signed PO. An additional 25% due once shield is installed. Final 50% due once hatch has been closed and room has passed RF test.

This price is good for 60 days

Please call me with any questions you might have regarding our scope.

Tommy Meyer

Advanced Healthcare Construction

#### Physicians

Dave A. Alexander, Jr., M.D.  
Allen F. Anderson, M.D.  
Christopher P. Ashley, M.D.  
Matthew O. Barrett, M.D.  
W. Cooper Beazley, M.D.  
S.R. Brown, M.D.  
Daniel S. Burrus, M.D.  
Mark R. Christofersen, M.D.  
Robert E. Clendenin III, M.D.  
Philip G. Coogan, M.D.  
William H. DeVries, M.D.  
Keith C. Douglas, M.D.  
C. Robinson Dyer, M.D.  
W. Blake Garside, Jr., M.D.  
R. Edward Glenn, Jr., M.D.  
Robert C. Greenberg, M.D.  
Jeffrey L. Herring, M.D.  
Stanley G. Hopp, M.D.  
O. Toin Johns, M.D.  
Michael R. Jordan, M.D.  
Kyle S. Joyner, M.D.  
Philip A. G. Karpos, M.D.  
Brian E. Koch, M.D.  
Kurtis L. Kowalski, M.D.  
William B. Kurtz II, M.D.  
William H. Ledbetter, M.D.  
Edward S. Mackey, M.D.  
J. Bartley McGehee III, M.D.  
Russell C. McKissick, M.D.  
Michael A. Milek, M.D.  
J. Wills Oglesby, M.D.  
Daniel L. Phillips, M.D.  
Richard A. Rogers, M.D.  
S. Matthew Rose, M.D.  
James L. Rungee, M.D.  
William A. Shell, Jr., M.D.  
Juris Shibayama, M.D.  
Jane M. Siegel, M.D.  
Stuart E. Smith, M.D.  
Robert B. Snyder, M.D.  
S. Tyler Staelin, M.D.  
Gray C. Stahlman, M.D.  
Robert E. Stein, M.D.  
Timothy J. Steinagle, D.O.  
R. David Todd, M.D.  
Thomas E. Tompkins, M.D.  
Roderick A. Vaughan, M.D.  
Lydia A. White, M.D.  
Matthew P. Willis, M.D.  
James R. Yu, M.D.

#### Baptist Office

301 21st Avenue North  
Nashville, Tennessee 37203  
(615) 329-6600 Fax (615) 329-4858

#### Clarksville Office

141 Hillcrest Drive  
Clarksville, Tennessee 37043  
(931) 552-4340 Fax (931) 552-0999

#### Gallatin Office

270 E. Main St., Suite 300  
Gallatin, Tennessee 37066  
(615) 675-2000 Fax (615) 278-1672

#### Hendersonville Office

353 New Shackle Island Road  
Building C, Suite 148  
Hendersonville, Tennessee 37075  
(615) 265-5000 Fax (615) 265-5005

#### Murfreesboro Office

1800 Medical Center Parkway, Suite 200  
Murfreesboro, Tennessee 37129  
(615) 896-6800 Fax (615) 890-3266

#### Saint Thomas Office

4230 Harding Road, Suite 1000  
Nashville, Tennessee 37205  
(615) 383-2693 Fax (615) 297-1449

#### Skyline Office

3443 Dickerson Pike, Suite 480  
Nashville, Tennessee 37207  
(615) 263-6500 Fax (615) 263-6505

#### Smyrna Office

300 StoneCrest Blvd., Suite 300  
Smyrna, Tennessee 37167  
(615) 267-6600 Fax (615) 267-6603

#### Williamson Medical Center

4323 Carothers Road, Suite 600  
Franklin, Tennessee 37067  
(615) 236-5000 Fax (615) 236-5005



February 11, 2013

Ms. Melanie M. Hill  
Executive Director  
State of Tennessee  
Health Services and Development Agency  
Frost Building, 3<sup>rd</sup> Floor  
161 Rosa L. Parks Boulevard  
Nashville, TN 37243

Dear Ms. Hill,

This letter is to confirm that Tennessee Orthopaedic Alliance (TOA) will fund all costs associated with the relocation of existing MRI equipment and ongoing operations from current and reserved cash flows generated from ongoing patient service revenues. TOA also maintains a \$ 2M revolving line of credit at US Bank as back-up in the event of any short term cash deficiencies. This line of credit has not been accessed in the past two (2) + years.

It is my responsibility as Chief Financial Officer of TOA to ensure that all accounts payable and all other operating liabilities are paid promptly in accordance with established vendor / supplier payment terms. Sufficient funding will be available to cover all costs associated with this project.

Thank you very much.

Sincerely,

Susan W. Jones  
CFO

MRI Examination	CPT Code	Current Charges	Proposed Charges	Medicare Reimbursement
MRI Soft Tissue Neck	70543	\$2,476.00	\$2,476.00	\$707.33
MRI Brain W/O Contrast	70551	\$1,699.00	\$1,699.00	485.43
MRI Brain W/WO Contrast	70553	\$2,041.00	\$2,041.00	\$701.71
MRI Chest W/O Contrast	71550	\$1,850.00	\$1,850.00	\$528.60
MRI Cervical W/O Contrast	72141	\$1,548.00	\$1,548.00	\$442.34
MRI Cervical W/Contrast	72142	\$1,585.00	\$1,585.00	\$549.14
MRI Cervical W/WO Contrast	72156	\$2,463.00	\$2,463.00	\$703.63
MRI Thoracic W/O Contrast	72146	\$1,579.00	\$1,579.00	\$451.05
MRI Thoracic W/Contrast	72147	\$1,748.00	\$1,748.00	\$499.32
MRI Thoracic W/WO Contrast	72157	\$2,330.00	\$2,330.00	\$665.62
MRI Lumbar W/O Contrast	72148	\$1,557.00	\$1,557.00	\$444.89
MRI Lumbar W/Contrast	72149	\$1,894.00	\$1,894.00	\$541.19
MRI Lumbar W/WO Contrast	72158	\$2,423.00	\$2,423.00	\$692.40
Upper Extremity not Joint	73218	\$1,691.00	\$1,691.00	\$483.20
Upper Extremity not Joint wo/w Contrast	73220	\$2,392.00	\$2,392.00	\$715.00
Upper Extremity with Joint	73221	\$1,603.00	\$1,603.00	\$457.86
Upper Extremity W/Joint wo/w Contrast	73223	\$2,387.00	\$2,387.00	\$681.90
Lower Extremity Not Joint	73718	\$1,664.00	\$1,664.00	\$475.41
Lower Extremity Not Joint wo/w Contrast	73720	\$2,503.00	\$2,503.00	\$715.00
Lower Extremity With Joint	73721	\$1,632.00	\$1,632.00	\$466.23
Lower Extremity With Joint wo/w Contrast	73723	\$2,382.00	\$2,382.00	\$680.50
MRI Pelvis	72195	\$1,692.00	\$1,692.00	\$483.52
MRI Pelvis W/WO Contrast	72197	\$2,511.00	\$2,511.00	\$717.31

TENNESSEE ORTHOPAEDIC ALLIANCE, PA  
Balance Sheet Current Year vs Prior Year End  
As of December 31, 2012

ASSETS	12/31/2012	12/31/2011
<b>CURRENT ASSETS</b>		
Cash	(\$163,228)	\$509,610
Accounts Receivable	\$6,493,758	\$7,971,446
Prepaid Expenses	\$1,053,744	\$1,190,950
Inventory	\$219,308	\$324,919
<b>TOTAL CURRENT ASSETS</b>	<b>\$7,603,581</b>	<b>\$9,996,925</b>
<b>LONG TERM INVESTMENTS</b>		
Long-Term Investments	\$165,654	\$71,193
<b>TOTAL LONG TERM INVESTMENTS</b>	<b>\$165,654</b>	<b>\$71,193</b>
<b>PROPERTY PLANT &amp; EQUIPMENT</b>		
Property, Plant and Equipment	\$18,729,072	\$17,370,270
Less: Accumulated Depreciation	(\$13,516,048)	(\$11,697,531)
Work in Process	\$109,857	-
<b>NET PROPERTY PLANT &amp; EQUIPMENT</b>	<b>\$5,322,881</b>	<b>\$5,672,739</b>
<b>OTHER ASSETS</b>		
Intangible Assets	\$39,438	\$39,438
Other Assets	\$1,644,711	\$858,060
<b>TOTAL OTHER ASSETS</b>	<b>\$1,684,149</b>	<b>\$897,498</b>
<b>TOTAL ASSETS</b>	<b>\$14,776,265</b>	<b>\$16,638,354</b>
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$976,997	\$1,200,785
Taxes Payable	\$193,995	\$1,387,805
Accrued Pension	\$5,683,838	\$3,932,121
Other Accrued Expenses	\$1,625,173	\$1,667,399
Other Current Liabilities	\$6,545,458	\$4,727,504
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$15,025,462</b>	<b>\$12,915,614</b>
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt	\$2,215,148	\$3,022,595
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$2,215,148</b>	<b>\$3,022,595</b>
<b>TOTAL LIABILITIES</b>	<b>\$17,240,610</b>	<b>\$15,938,209</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock	\$158,021	\$158,021
Additional Paid-in Capital - Common	\$81,398	\$81,398
Treasury Stock	(\$375,933)	(\$275,933)
Other Accumulated Comprehensive Income	(\$1,257,299)	(\$539,940)
Retained Earnings	(\$373,954)	\$2,410,316
Year-to-Date Net Income (Loss)	(\$696,578)	(\$1,133,717)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>(\$2,464,345)</b>	<b>\$700,145</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$14,776,265</b>	<b>\$16,638,354</b>
	=====	=====

TENNESSEE ORTHOPAEDIC ALLIANCE, PA  
CONSOLIDATED SUMMARY INCOME STATEMENT  
As of December 31, 2012

	December 2012	YTD 2012
<b>PATIENT REVENUE</b>		
Patient Revenue	\$16,694,208.54	\$196,679,952.44
Deductions From Revenue	(11,328,951.94)	(124,449,951.58)
<b>NET PATIENT REVENUE</b>	<b>5,365,256.60</b>	<b>72,230,000.86</b>
<b>TOTAL CASH COLLECTIONS</b>	<b>5,844,401.73</b>	<b>72,903,526.87</b>
<b>OTHER REVENUE</b>		
Other Income	4,905.30	188,313.85
<b>TOTAL OTHER REVENUE</b>	<b>4,905.30</b>	<b>188,313.85</b>
<b>TOTAL REVENUE</b>	<b>5,849,307.03</b>	<b>73,091,840.72</b>
<b>SALARIES &amp; BENEFITS</b>		
Salaries & Wages	1,473,618.52	18,314,710.53
Payroll Taxes	129,292.22	1,343,356.49
Employee Benefits	181,478.65	3,521,767.35
<b>TOTAL SALARIES &amp; BENEFITS</b>	<b>1,784,389.39</b>	<b>23,179,834.37</b>
<b>OCCUPANCY EXPENSES</b>		
Rent & Leases	338,066.54	4,035,834.12
Telephone	46,789.29	564,239.69
Utilities	13,054.35	153,442.03
<b>TOTAL OCCUPANCY EXPENSES</b>	<b>397,910.18</b>	<b>4,753,515.84</b>
<b>MEDICAL EXPENSES</b>		
Medical Supplies	360,527.13	3,551,558.43
<b>TOTAL MEDICAL EXPENSES</b>	<b>360,527.13</b>	<b>3,551,558.43</b>
<b>ADMINISTRATIVE EXPENSES</b>		
Administrative Expense	64,458.67	586,529.35
Advertising & Promotional	43,332.75	488,214.70
Bank Charges	36,963.27	449,636.16
Billing Expenses	14,660.97	194,736.28
Continuing Education	2,422.23	43,597.74
Depreciation Expense	262,717.86	1,675,347.98
Dues & Subscriptions	5,882.81	56,634.71
Employment Expense	11,645.02	36,603.22
Insurance	12,227.15	133,661.95
Interest Expense	5,575.29	89,699.16
Malpractice Insurance	55,714.58	505,931.85
Meals & Entertainment	6,340.22	51,112.68
Office Supplies	(37,986.49)	211,449.58
Postage & Freight	16,031.95	95,191.29
Professional Fees	66,754.09	483,893.84
Purchased Services	97,136.18	1,264,066.30
State Taxes	14,183.00	106,301.99
Repairs & Maintenance	62,909.06	717,731.05
Taxes & License	10,328.00	122,149.08
Travel	12,651.64	131,857.50
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>763,948.25</b>	<b>7,444,346.41</b>
<b>TOTAL EXPENSES BEFORE ALLOCATED COSTS</b>	<b>3,306,774.95</b>	<b>38,929,255.05</b>
<b>NET OPERATING INCOME BEFORE ALLOCATIONS</b>	<b>2,542,532.08</b>	<b>34,162,585.67</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>3,306,774.95</b>	<b>38,929,255.05</b>
<b>AMOUNT AVAILABLE FOR PHYSICIAN EXPENSES &amp; COMPENSATION</b>	<b>2,542,532.08</b>	<b>34,162,585.67</b>
<b>PHYSICIAN EXPENSES</b>		
Physician Salaries & Benefits	2,508,063.13	34,630,079.82
Other Physician Expenses	1,251.47	229,083.72
<b>TOTAL PHYSICIAN EXPENSES</b>	<b>2,509,314.60</b>	<b>34,859,163.54</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$33,217.48</b>	<b>(\$696,577.87)</b>



### Health Care Staffing for Tennessee Orthopedic Alliance MRI service

Position	FTE	Hourly Rate of Pay	Annual Salary	Median Wage Dept. of Workforce & Development
MRI Technologist	1	\$30.92	\$64,315.20	\$51,844.00
MRI Technologist	1	\$30.44	\$63,315.20	\$51,844.00
MRI Technologist	1	\$25.78	\$53,622.40	\$51,844.00
MRI Technologist	1	\$23.00	\$47,840.00	\$51,844.00
MRI Technologist	1	\$28.70	\$59,696.00	\$51,844.00



# American College of Radiology

Magnetic Resonance Imaging Services of

**Tennessee Orthopaedic Alliance**

**MRI Department  
301 21st Avenue North  
Nashville, Tennessee 37203**

were surveyed by the  
Committee on MRI Accreditation of the  
Commission on Quality and Safety

The following magnet was approved

**Philips GYROSCAN NT INTERA 1998**

For

**Spine, MSK**

Accredited from:

**March 03, 2011 through March 03, 2014**

A handwritten signature in black ink, appearing to be "Chad R.", written over a horizontal line.

CHAIRMAN, COMMITTEE ON MRI ACCREDITATION

A handwritten signature in black ink, appearing to be "James H. Hall, MD", written over a horizontal line.

PRESIDENT, AMERICAN COLLEGE OF RADIOLOGY

MRAP# 01142-01



# American College of Radiology

Magnetic Resonance Imaging Services of

**Tennessee Orthopaedic Alliance**

**MRI Department  
301 21st Avenue North  
Nashville, Tennessee 37203**

were surveyed by the  
Committee on MRI Accreditation of the  
Commission on Quality and Safety

The following magnet was approved

**Philips GYROSCAN NT INTERA 2000**

For

**Spine, MSK**

Accredited from:

**March 03, 2011 through March 03, 2014**

A handwritten signature in black ink, appearing to be "Chad R.", is written over a horizontal line.

CHAIRMAN, COMMITTEE ON MRI ACCREDITATION

A handwritten signature in black ink, appearing to be "James H. Allen MD", is written over a horizontal line.

PRESIDENT, AMERICAN COLLEGE OF RADIOLOGY

## AFFIDAVIT

2013 FEB 15 PM 12 53

STATE OF TENNESSEE       )  
   )  
 COUNTY OF DAVIDSON       )

Re: Tennessee Orthopedic Alliance, P.C.

BLAKE GARSIDE

, being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Agency Rules, and T.C.A. § 68-11-1601, et seq., and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.

Blake Garside

Name

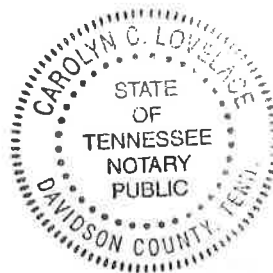
President

Title

Sworn to and subscribed before me this the 13<sup>th</sup> day of February, 2013 a Notary Public in and for Davidson County, Tennessee.

Carolyn C. Lovelace  
 Notary Public

My Commission Expires: My Commission Expires SEPT. 9, 2014



2013 FEB 27 PM 4: 03

# **COPY- SUPPLEMENTAL-1**

**Tennessee Orthopedic Alliance**

**CN1302-004**

**RESPONSES TO SUPPLEMENTAL QUESTIONS**

**CERTIFICATE OF NEED APPLICATION**

**FOR**

**TENNESSEE ORTHOPEDIC ALLIANCE**

**Project No. CN1302-004**

**Davidson County, Tennessee**

**February 27, 2013**

**Contact Person:**

**Jerry W. Taylor, Esq.  
Stites & Harbison, PLLC  
401 Commerce Street, Suite 800  
Nashville, Tennessee 37219  
615-782-2228**

2013 FEB 27 PM 4:04  
SUPPLEMENTAL

**1. Section A, Applicant Profile, Item 13**

**Please clarify if Tennessee Orthopedic Alliance is in network with TennCare Select or accepts TennCare Select patients on an out of network basis.**

TOA is not in network with TennCare Select but can and does accept BCBS TennCare Select patients on an out-of-network basis.

**Approximately what was the percentage of Tennessee Orthopedic Alliance's patient load were AmeriGroup patients?**

Approximately 2.5% of TOA's MRI examinations at the Nashville location in 2012 were Amerigroup patients.

**Please discuss how the new proposed building's lay-out and design and increased square footage will be better suited for MRI services over the current location.**

The new layout will improve HIPAA compliance by separating MRI services from clinic patient flow and other departments, such as hand therapy, allowing patients to be interviewed and counseled more privately. The layout will be more efficient by incorporating a restroom in each of the dressing rooms and will enhance patient flow to and from the magnet room and on-deck room.

Safety and security will be improved since the new layout will allow any technologist in the control room to audibly and visually monitor patients in both magnet rooms at all times. Entrances into the new magnet rooms can be monitored directly from the MRI control room at all times. In addition, the magnet room doors will open outward to relieve the room pressure in the event of a magnet quench instead of the older designs that had the doors opening inward and requiring a window to be broken to relieve the pressure.

The more efficient layout will improve throughput and the MRI department being independent of clinic workflow will allow MRI patients to be seen outside normal clinic hours as needed. The new MRI will be located on the ground floor near the entrance to the facility, which will make the department more easily accessible. Patients will not have to navigate through the entire clinic to get to the new MRI department, as is now the case.

The building design will allow for the magnet systems to be accessed more easily and more cost effectively if/when systems are eventually replaced.

**Please discuss the economic advantages for the applicant by relocating MRI services to the new proposed site.**

This new facility and MRI will be in the new “One City” development which will increase TOA’s visibility and provide better access to the facility and our services. The new location is located at the crossroads of the new healthcare corridor created by the completion of the 28<sup>th</sup> – 31<sup>st</sup> Avenue connector. This location enjoys one of the highest traffic volumes in Nashville and will facilitate easier patient access from the West End and North Nashville areas. The decision to move TOA’s largest office to this exciting new location is strategically important for TOA’s continued growth and ability to meet patient demand for orthopedic surgical services. It would be economically disadvantageous to separate MRI diagnostic services from TOA’s largest location, both from a patient inconvenience and lease duplication standpoint. Additional space for new physicians will allow TOA to care for more patients. The more efficient layout in MRI will also allow us to provide care to more patients.

**Please describe the proposed structure that will house the MRIs. In addition, please describe businesses/structures that adjoin the proposed relocation site.**

The new facility will be a 4 story structure that will house clinic, physical therapy, occupational therapy and MRI services for TOA’s largest office. MRI and therapy services will be on the ground floor near the entrance for convenience and easy access. There will likely be some retail presence on the main floor as well. The magnets will be placed adjacent to an outside wall for easier access to the magnets during replacement. Floors 2 – 4 will house physician offices and clinic space.

## **2. Section A, Applicant Profile, Item 9**

**Please discuss the impact of not having an AmeriGroup contract will have on the MRI utilization and gross charges at the new proposed site. Also, please indicate the amount of revenue which will be lost as a result of not having an AmeriGroup contract.**

Approximately 2.5% of TOA’s MRI examinations (or 254 exams) in 2012 were Amerigroup patients. Amerigroup patients additionally accounted for 2.45% of the gross charges (\$280,218) and 1.56% of collections (\$60,790). We believe volumes will be maintained if not increased due to: (i) anticipated physician growth; (ii) increased MRI efficiency related to the new space; (iii) anticipated growth of TOA’s United Healthcare TennCare patient population (in the wake of TOA’s Amerigroup contract termination); (iv) intensified spine marketing in Davidson County; and (v) introduction of arthrograph MRI services.

## **3. Section B Project Description, Item I.**

**The applicant notes TOA proposes to move its two 1.0 Tesla, full body MRIs to the new proposed office location. Please indicate the age of the two MRI’s and the remaining useful life of both.**



The first magnet was manufactured, purchased and installed new in 1998. The second magnet was manufactured in 2000 but purchased new and installed in 2003. Both magnets have been serviced and maintained by the manufacturer since installation. Upgrades have been added periodically for both magnets with the last ones being in 2008. Hardware and/or software upgrades extend the life of an MRI system by expanding the types of exams that can be performed and/or introducing newer more advanced pulse sequences to perform them. Both magnets are superconducting magnets so as long as they are maintained with cryogenics, they could theoretically last indefinitely. TOA has preventive maintenance and service agreements with the manufacturer on both magnets that are in effect until 2015 to insure repair and/or replacement of all other hardware and software. Both magnets will likely be replaced at some point before the expiration of that contract, and the appropriate replacement of equipment filings will be made at that time. Both magnets meet or exceed all ACR image quality requirements as evidenced by our ACR Accreditation.

**4. Section B, Project Description, Item III (b).**

**Please briefly describe the relationship of the proposed site to any highway, interstates or major road developments in the area.**

The new facility will be in the "One City" development located between Charlotte Ave. and West End. The new 28<sup>th</sup> – 31<sup>st</sup> Avenue connector has been completed and affords patients easy access from these two (2) major Nashville thoroughfares. One City (the site of TOA's new office and relocated Nashville MRI operation) sits approximately 2 miles from I-65/40 heading east and approximately 1 mile from I-40 heading north.

**5. Section C, Economic Feasibility, Item 2**

**Please provide documentation from a lending institution regarding the availability of an existing commercial line of credit.**

The attached "Second Amendment to Revolving Credit Note" demonstrates the \$2 million line of credit is in place through at least October 31, 2013. It can be extended further if desired.

SECOND AMENDMENT TO REVOLVING CREDIT NOTE

THIS SECOND AMENDMENT TO REVOLVING CREDIT NOTE ("Amendment") is entered into by and between TENNESSEE ORTHOPAEDIC ALLIANCE, P.A., a Tennessee professional corporation (the "Borrower") and U.S. BANK NATIONAL ASSOCIATION, a national banking association (the "Lender").

WITNESSETH:

WHEREAS:

A. Lender and Borrower entered into a Loan Agreement on the October 28, 2010 (the "Loan Agreement").

B. Pursuant to the terms of the Loan Agreement, Borrower executed a revolving credit note in favor of Lender on the same date in the principal amount of \$2,000,000.00 (the "Revolving Credit Note").

C. The Revolving Credit Note was previously amended pursuant to a First Amendment dated October 26, 2011.

D. Lender and Borrower have agreed to further amend the Revolving Credit Note as provided hereinafter.

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. Section 3 of the Revolving Credit Note is hereby amended to extend the Maturity Date to October 31, 2013.

2. Borrower covenants that it is not in default of any of the provisions of the Loan Agreement or the Revolving Credit Note, and that no event has occurred and no claim, offset or other condition exist which would relieve it of any of its obligations to the Lender under said loan documents.

3. Borrower represents that the terms of this Amendment have been duly authorized and approved by a duly adopted resolution of the Borrower, and that the party executing this Amendment on behalf of the Borrower has been authorized to do so.

4. Nothing in this Amendment shall be understood or construed to be a satisfaction, in whole or in part, of the Revolving Credit Note, and this Amendment is not intended to be a novation thereof.

5. Except as amended hereby, the terms and conditions of the Revolving Credit Note shall remain in full force and effect.

EXECUTED by the undersigned on this 26 day of October, 2012.

**BORROWER:**

TENNESSEE ORTHOPAEDIC  
ALLIANCE P.A.

By: [Signature]

Title: Trustee

**LENDER:**

U.S. BANK NATIONAL ASSOCIATION

By: [Signature]

Title: Vice President

**6. Section C, Economic Feasibility, Item 10**

**The copy of Tennessee Orthopedic Alliance, PA's financial statements are noted. The balance sheet for the period ending December 31, 2012 reflected total current assets of \$7,603,581 and total current liabilities in the amount of \$15,025,462 which calculates to a current ratio of .50:1. Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities. Please clarify how the applicant intends to fund the project from cash reserves when it appears as though the organization may not have adequate resources to cover current liabilities.**

Please see attached response from TOA's Certified Public Accounting firm.

**7. Section C, Contribution to Orderly Development, Item 1**

**The listing of RadSource/Imaging Specialists for MRI Interpretation studies is noted. Please describe this organization and their contractual and/or working relationship to the applicant.**

Radsourc/Imaging Specialists is a radiology group that specializes in the interpretation of Orthopaedic MRIs. Radsourc/Imaging Specialists provide real time guidance to the technologists in the performance of MRI examinations, monitors imaging parameters and advises us of new techniques and imaging sequences as they are developed. Radsourc/Imaging Specialists provides guidance to the technologists in imaging implanted devices and contrast administration. In addition, Radsourc/Imaging Specialists provides over-reads of x-rays and MRIs that have been outsourced or previously performed at other facilities.

Radsourc/Imaging Specialists provide all of the aforementioned services for a fee arrangement described in the previously provided agreement document.

The original Publisher's Affidavit from The Tennessean is attached.



February 26, 2013

TOA

**RE: TOA's Current Ratio Analysis at 12.31.2012**

For income tax purposes, TOA reports on the cash basis of accounting. As a personal service corporation, TOA is subject to Federal income tax rates of 35% and State income tax rates of 6.5% on any taxable income retained by the Corporation at year end. Thus, for income tax purposes, TOA will bonus excess cash to the physicians and accrue a pension liability to reduce taxable income to zero at year end. The IRS allows cash basis tax payers to expense accrued pension liabilities if the accrued amount is disbursed prior to filing the Corporation's timely filed return.

As per the "best practice" tax savings strategy aforementioned, TOA disbursed cash in the form of bonuses totaling \$3,127,013 at year end 2012. In addition during 2012, TOA used operating cash to purchase approximately \$1,000,000 in capital assets, of which, approximately \$834,000 was purchased in December. These fixed asset purchases are prudent because the purchase helps reduce taxable income pursuant to 50% bonus or Section 179 depreciation. Further, as per the "best practice" tax savings strategy aforementioned, TOA accrued expenditures for the 2012 funding of the 401k plan and the cash balance defined benefit plans at year end. It is important to note that contributions to the 401k plan are discretionary.

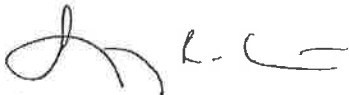
The result of the above transactions impacted the current ratio at 12/31/12. Reducing cash for bonuses and capital asset additions and accruing a current liability for retirement plan contributions to be funded in the next fiscal year, unfavorably impacted the current ratio at year end.

Additionally impacting TOA's current ratio, approximately 55% of TOA's long-term borrowings are expected to be paid in 2013. Thus, these items will be included as current liabilities for current ratio purposes. Although the cash outflow for debt repayment is not affected (remains unchanged) in 2013, the movement of notes payable from long term to current impacts the Corporation's current ratio.

Since borrowings will be paid out of operating cash, i.e. the Corporation must generate taxable income to pay prior debt borrowings, TOA has created taxable loss carry forwards in prior years by performing the aforementioned tax strategy. Thus, TOA will have unused tax loss carry forwards to offset taxable income created as debt is retired.

Another item that impacts the current ratio results from misclassifications in the 12/31/12 balance sheet. The 12/31/12 balance sheet included with the original financial statements submitted included two long term liabilities that were erroneously classified as current liabilities, deferred rent of \$1,384,658 and an unfunded pension liability of \$2,785,457. The deferred rent accrual is not for current rents due. The accrual was produced under GAAP accounting to straight line escalating lease payments over the life of the leases. Likewise the unfunded pension obligation is not for current pension funding. The accrual was produced under GAAP and accounts for future retirement obligations related to the defined benefit plan (computed on the cash basis, not including the accrual for current year funding which is reported as a current liability).

In conclusion, knowing that the Company attempts to have no cash at the beginning of the year, if one was to adjust the current ratio for bonuses paid, asset purchases and adjusting for the two misclassifications on the balance sheet submitted for 12/31/12, the current ratio would exceed 1:1.

A handwritten signature in dark ink, appearing to read 'Lucy R. Carter', with a stylized flourish at the end.

Lucy R. Carter, CPA

SUPPLEMENTAL

AFFIDAVIT

2013 FEB 27 PM 4:04

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Tennessee Orthopedic Alliance

I, Steve Wade, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Steve Wade  
Signature

Executive Director  
Title

Sworn to and subscribed before me, a Notary Public, this the 27<sup>th</sup> day of February, 2013, witness my hand at office in the County of Davidson, State of Tennessee.

Carolyn C. Lovelace  
NOTARY PUBLIC

My commission expires Sept. 9, 2014.

HF-0043

Revised 7/02







**CERTIFICATE OF NEED  
REVIEWED BY THE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH STATISTICS  
OFFICE OF HEALTH STATISTICS  
615-741-1954**

**DATE:** March 29, 2013

**APPLICANT:** Tennessee Orthopedic Alliance  
3000 Charlotte Avenue  
Nashville, Tennessee 37203  
CN1302-004

**CON#:** CN1302-004

**COST:** \$3,200,000

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In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Health Statistics, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's Health: Guidelines for Growth, 2000 Edition (2010 Revision)* and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

**SUMMARY:**

The applicant, Tennessee Orthopedic Alliance owned and operated by Tennessee Orthopedic Alliance, P.C., located at 301 21<sup>st</sup> Avenue, North, Nashville, Tennessee intends to file an application for a Certificate of Need for the relocation of two MRI units from the current location to Tennessee Orthopedic Alliance's proposed future office space to be located at 3000 Charlotte Avenue in Nashville, Tennessee. There are no inpatient beds, new services or new major medical equipment involved in this project.

**GENERAL CRITERIA FOR CERTIFICATE OF NEED**

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition (2010 Revision)*.

**NEED:**

The following chart illustrates the service area total population for 2013 and 2017.

Service Area Total Population Projections for 2013 and 2017			
County	2013 Population	2017 Population	% Increase/ (Decrease)
Davidson	605,293	622,476	2.8%

Source: *Tennessee Population Projections 2000-2020, February 2008 Revision*, Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics

**TENNCARE/MEDICARE ACCESS:**

Tennessee Orthopedic Alliance participates in both Medicare and TennCare. The applicant contracts with UnitedHealthcare Community Plan and is in network with this MCO/BHO. The applicant is not in network with TennCare Select but does accept its patients on an out of network basis. The applicant is no longer under contract with AmeriGroup but will provide services on an out of network basis for a 90 day period.

**ECONOMIC FACTORS/FINANCIAL FEASIBILITY:**

The Department of Health, Division of Policy, Planning and Assessment - Office of Health Statistics has reviewed the Project Costs Chart, the Historical Data Chart (when applicable) and the Projected Data Chart and has determined they are mathematically accurate and the projections based upon the applicant's anticipated level of utilization are consistent with the applicant's methodology and programmatic assumptions. The location of these charts may be found in the following specific locations in the Certificate of Need Application or in the Supplemental material:

**Project Costs Chart:** Page 18 CON Application;

**Historical Data Chart:** Pages 21-22 CON Application;

**Projected Data Chart:** Pages 23-24 CON Application.

Utilization data for the project is derived from the Medical Equipment Registry maintained by the Health Services and Development Agency (HSDA). The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics cannot independently verify the accuracy of the data in the Medical Equipment Registry maintained by the HSDA.

The applicant projects and average gross charge of \$1,598.61, with an average deduction of \$1,044.65, resulting in an average net charge of \$553.96.

Tennessee Orthopedic Alliance expects 21% of its net revenue or \$841,087 will be from Medicare and 4.5% of its net revenue or \$180,233 will be from TennCare.

**CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:**

The applicant currently contracts with RadSource/Imaging Specialists for MRI interpretive studies as noted on page 27 of the CON application. A brief description of the services provided by RadSource/Imaging Specialists can be found on page 4 of the first Supplemental in the response to question 7, Section C, Contribution to Orderly Development, Item 1.

The relocation of the two MRI units to a new site offers improved access to MRI services in a facility providing increased space for clinical imaging services by separating MRI services from other clinical services, enhancing patient privacy and allowing MRI technologists in the control room to monitor both magnet rooms at the same time. The applicant notes no additional MRI units will be added to Davidson County as a result of this project.

The staffing chart for this project submitted by the applicant indicates the staffing pattern of five (5) Medical Technologists will remain the same. The average salary ranges from \$47,840.00 to \$64,315.20, as noted in the CON Application Attachment C, Section III, Contribution to the Orderly Development of Healthcare.

The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics verified the applicant as a physician owned office practice is not required to be licensed by the State of Tennessee. Tennessee Orthopedic Alliance is accredited by the American College of Radiology. The copies of the Accreditation Certificate for each of the two (2) MRI units can be found in Attachment C, Section III, Contribution to the Orderly Development of Healthcare in the CON Application.

The Tennessee Orthopedic Alliance does not have formal training programs but does report it works with residents, interns, nursing students as well as local high schools allowing their students in Health Occupation Courses to shadow the physicians, therapists and medical technologists. However, the applicant does not define the nature of these informal programs and the methods used to ensure compliance with applicable Medicare, TennCare and HIPPA regulations.

### ***SPECIFIC CRITERIA FOR CERTIFICATE OF NEED***

The applicant responded to the Specific Criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition (2010 Revision)*.

The Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics will provide responses to Specific Criteria for Certificate of Need that address utilization, need, bed data and other information maintained by the Department of Health. The narrative responses of the applicant will not be repeated but can be found in the Certificate of Need Application and such Supplemental material as provided by the applicant to the Health Services and Development Agency.

The applicant's responses to the Specific Criteria for Certificate of Need can be found in the Certificate of Need Application on pages 13 and 14.

### **CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS**

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

*Not applicable.*

2. For relocation or replacement of an existing licensed health care institution:
  - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.
  - b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

*Not applicable.*

3. For renovation or expansions of an existing licensed health care institution:
  - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.
  - b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

*Not applicable.*

*This application simply reflects a relocation of two (2) existing MRI units currently operated by the Tennessee Orthopedic Alliance. The applicant is a private physician practice and is not required to be licensed by the Tennessee Department of Health.*

# METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

KARL F. DEAN  
MAYOR



2013 MAR 26 AM 10:22  
OFFICE OF THE MAYOR  
METROPOLITAN COURTHOUSE  
NASHVILLE, TENNESSEE 37201  
PHONE: (615) 862-6000  
FAX: (615) 862-6040

March 11, 2013

Melanie M. Hill  
Executive Director  
Tennessee Health Services and Development Agency  
Frost Building, 3rd Floor  
161 Rosa L. Parks Boulevard  
Nashville, TN 37243

Re: Tennessee Orthopedic Alliance  
CON Application CN1302-004

Dear Ms. Hill:

As you know, Tennessee Orthopaedic Alliance (TOA) recently filed the above referenced certificate of need application to relocate two MRI units from its 301 21st Avenue North, Nashville, TN site to the new OneCity development located at 3000 Charlotte Pike. I am writing this letter to express my support for TOA's application.

The OneCity development represents an important step toward the future of Nashville healthcare, technology, and research community. TOA's anchor tenancy will provide a major impetus toward that end. TOA's provision of high quality, comprehensive orthopedic services (including clinical, high tech imaging, and therapy) in the apex of the new 31st-28th Avenue connector will broaden its reach and access to more Nashvillians which is exciting.

I appreciate the important role the THSDA plays in the orderly progression of healthcare services in this community and strongly encourage the CON committee's approval of this application.

Sincerely,

Karl F. Dean  
Mayor



**State of Tennessee**  
**Health Services and Development Agency**

Frost Building, 3<sup>rd</sup> Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243  
**www.tn.gov/hsda** Phone: 615-741-2364/Fax: 615-741-9884

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**Date: May 3, 2013**

**To: HSDA Members**

**From: Melanie M. Hill, Executive Director**

**Re: CONSENT CALENDAR JUSTIFICATION**  
**CN1302-004 – Tennessee Orthopedic Alliance**

As permitted by Statute and further explained by Agency Rule on the last page of this memo, I have placed this application on the consent calendar based upon my determination that the application appears to meet the established criteria for granting a certificate of need. Need, economic feasibility and contribution to the orderly development of health care are detailed below. If Agency Members determine that the criteria have been met, a member may move to approve the application by adopting the criteria set forth in this justification or develop another motion for approval that addresses each of the three criteria required for approval of a certificate of need.

At the time the application entered the review cycle on March 1, 2013, it was not opposed. If the application is opposed prior to it being heard, it will move to the bottom of the regular May agenda and the applicant will make a full presentation.

**Summary —**

Tennessee Orthopedic Alliance (TOA) is a physician practice that has applied for a certificate of need to relocate two (2) of its three (3) MRI units from its present location in leased space on 21<sup>st</sup> Avenue in Nashville to Charlotte Avenue where the physician practice will relocate, a distance of about one mile. The third MRI will be relocated to their Murfreesboro office but since that site has already been approved for MRI services and the cost of the extremity MRI equipment is below the 2 million dollar major medical equipment threshold, a CON is not required.

**Executive Director Justification —**

Need- The need to relocate the MRI service and equipment is justified because the orthopedic physician practice is relocating to a larger, more efficient space that will better accommodate the practice.

Economic Feasibility-The project will be funded through cash reserves and operating revenues. TOA also has access to a 2 million dollar commercial line of credit from U S Bank if needed. The MRI service has historically provided a positive cash flow and net operating income and is projected to continue to do so at the new location.

Contribution to the Orderly Development of Health Care- The project does contribute to the orderly development of health care since the MRI service will continue to be utilized as part of a busy orthopedic practice.

**Based on these reasons, I recommend that the Agency approve certificate of need application CN1302-004.**

**Statutory Citation -TCA 68-11-1608. Review of applications — Report**

(d) The executive director may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

**Rules of the Health Services and Development Agency - 0720-10-.05 — CONSENT CALENDAR**

(1) Each monthly meeting's agenda will be available for both a consent calendar and a regular calendar.

(2) In order to be placed on the consent calendar, the application must not be opposed by anyone having legal standing to oppose the application, and the executive director must determine that the application appears to meet the established criteria for granting a certificate of need. Public notice of all applications intended to be placed on the consent calendar will be given.

(3) As to all applications which are placed on the consent calendar, the reviewing agency shall file its official report with The Agency within thirty (30) days of the beginning of the applicable review cycle.

(4) If opposition by anyone having legal standing to oppose the application is stated in writing prior to the application being formally considered by The Agency, it will be taken off the consent calendar and placed on the next regular agenda. Any member of The Agency may state opposition to the application being heard on the consent calendar, and if reasonable grounds for such opposition are given, the application will be removed from the consent calendar and placed on the next regular agenda.

(a) For purposes of this rule, the "next regular agenda" means the next regular calendar to be considered at the same monthly meeting.

(5) Any application which remains on the consent calendar will be individually considered and voted upon by The Agency.